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SEPTEMBER 1972

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## A MONTHLY JOURNAL OF IDEAS ON LIBERTY

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ISRAEL M. KIRZNER

# advertising

ADVERTISING has been badly treated by many scholars who should know better. Not only Marxists and liberals, but even conservatives have given advertising a bad press. Let us examine some of the criticisms.

• First, many advertising messages are said to be offensive – by esthetic or ethical and moral standards. Unfettered, unhampered, laissez-faire capitalism, it is contended, would propagate such messages in a way that could very well demoralize and offend the tastes and morals of members of society.

• Second, advertising, it is argued, is deceitful, fraudulent, full of lies. Misinformation is spread by advertising, in print, on the airwaves, and this does harm to the members of society; for that reason advertising should be controlled, limited, taxed away.

Dr. Kirzner is Professor of Economics at New York University. He is the author of *The Economic Point of View*, *Market Theory and the Price System*, and *An Essay on Capital*. This article is transcribed from a lecture.

• Third, it is argued that where advertising is not deceitful, it is at best persuasive. That is, it attempts to change people's tastes. It attempts not to fulfill the desires of man but to change his desires to fit that which has been produced. The claim of the market economist has always been that the free market generates the flow of production along the lines that satisfy consumer tastes; their tastes determine what shall be produced – briefly, consumer sovereignty. On the contrary, the critics of advertising argue, capitalism has developed into a system where producers produce and then mold men's minds to buy that which has been produced. Rather than production being governed by consumer sovereignty, quite the reverse: the consumer is governed by producer sovereignty.

• A fourth criticism has been that advertising propagates monopoly and is antithetical to competition. In a competitive economy, it is pointed out, there would be no advertising; each seller would sell as much as he would like to sell without having to

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convince consumers to buy that which they would not otherwise have bought. So, advertising is made possible by imperfections in the market. More seriously, it is contended, advertising leads toward monopoly by building up a wall of good will, a protective wall of loyalty among consumers which renders a particular product immune to outside competition. Competing products, which do not share in the fruits of the advertising campaign, find themselves on the outside. This barrier to entry may gradually lead a particular producer to control a share of the market which is rendered invulnerable to the winds of outside competition.

• Finally – and this in a way sums up all of these criticisms – advertising is condemned as wasteful. The consumer pays a price for a product which covers a very large sum of money spent on advertising. Advertising does not change the commodity that has been purchased; it could have been produced and sold at a much lower price without the advertising. In other words, resources are being used and paid for by the consumer without his receiving anything that he could not have received in their absence.

These are serious criticisms. We have learned to expect them to be emphasized by contemporary liberal economists. To Marxist thinkers, again, advertising is essential for capitalism; it is seen as a socially useless device necessary in order to get excess production sold. They see no positive elements in advertising at all. But even conservative thinkers and economists have pointed out some apparent limitations, weaknesses, criticisms of advertising.

### *The Free Economy and How It Functions*

It is not my purpose here to defend each and every advertising message. I would rather discuss a free economy, a laissez-faire economy, pure capitalism. I would like to show that in such a world, advertising would emerge with a positive role to play; that it would add to the efficiency with which consumer wants are satisfied; and that, while the real world is far from perfect, a large volume of the criticism would fade away were it understood what role advertising, in fact, has to play in a pure market economy.

Let me imagine a world, a free market, in which there are no deceitful men at all. All the messages beamed to consumers and prospective consumers would be, as far as the advertisers themselves believe, the strict truth. We will consider later the implications of the fact that men are imperfect and that men succumb to the temptation in selling something to say a little bit less, a little bit more, than the exact truth. In the meantime, let us

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talk about a world of honest men, men who do not try to deceive.

Further, let us imagine a pure market economy with government intervention kept to the absolute minimum – the night watchman role. The government stands to the sidelines and ensures the protection of private property rights, the enforcement of contracts freely entered into. Everyone then proceeds to play the game of the free market economy with producers producing that which they believe can be sold to the consumers at the highest possible money price. Entrepreneur producers, who detect where resources are currently being used in less than optimum fashion, take these resources and transfer them to other uses in the economy where they will serve consumer wants which the entrepreneurs believe are more urgently desired, as measured by the amounts of money consumers are willing to pay for various products.

We will assume that there is freedom of entry into all industries. No entrepreneur has sole control over any resource that is uniquely necessary for the production of a given product. No government licenses are required in order to enter into the practice of a given profession or to introduce a particular product. All entrepreneurs are free to produce what they believe to be profitable. All resource owners are free to sell their resources, whether labor, natural resources, capital goods. They are free to sell or rent these resources to the highest bidder. In this way the agitation of the market gradually shuffles resources around until they begin to be used to produce those products which consumers value most highly. Consumers arrange their spending to buy the commodities they believe to be most urgently needed by themselves. And the market flows on in the way that we understand it.

### *Open Competition*

We say this is a free market, a laissez-faire, competitive system. But we do not mean a *perfectly* competitive market, as this notion has been developed by the neo-classical economists. In a perfectly competitive market, each seller faces a demand curve which is perfectly horizontal. That is to say, each seller believes that he can sell as much as he would like to sell without having to lower the price. Each buyer faces a perfectly horizontal supply curve and each buyer believes that he can buy as much as he would like to buy of anything without having to offer a higher price. In such a world of "perfect competition," we have what we call an "equilib-

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rium" situation, that is a situation where all things have already been fully adjusted to one another. All activities, all decisions have been fully coordinated by the market so that there are no disappointments. No participant in the economy discovers that he could have done something better. No participant in the economy discovers that he has made plans to do something which it turns out he cannot do.

In this model of the perfectly competitive economy, there would in fact be *no* competition in the sense in which the layman, or the businessman, understands the term. The term "competition" to the businessman, the layman, means an activity designed to outstrip one's competitors, a rivalrous activity designed to get ahead of one's colleagues, or those with whom one is competing. In a world of equilibrium, a world of "perfect competition," there would be no room for further rivalry. There would be no reason to attempt to do something better than is currently being done. There would, in fact, be no competition in the everyday sense of the term.

When we describe the laissez-faire economy as competitive, we mean something quite different. We mean an economy in which there is complete freedom of entry; if anyone believes that he can produce something that can serve consumers' wants more faithfully, he can try to do it. If anyone believes that the current producers are producing at a price which is too high, then he is free to try to produce and sell at a lower price. This is what competition means. It does not mean that the market has already attained the "equilibrium" situation, which goes under the very embarrassing technical name of "perfectly competitive economy."

### *Non-Price Competition*

Now, economists and others understand generally that competition means price competition: offering to sell at a lower price than your competitors are asking, or offering to buy at a higher price than your competitors are bidding. Entrepreneurs will offer higher prices than others are offering for scarce labor. They will offer to sell a product at lower prices than the competing store is asking. This is what price competition means. This is the most obvious form in which competition manifests itself.

However, we must remember that there is another kind of competition, sometimes called "non-price competition," sometimes called "quality competition." Competition takes the form not only of producing the identical product

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which your competitors are producing and selling it at a lower price, not only in buying the identical resource which your competitors are buying and offering a higher price. Competition means sometimes offering a better product, or perhaps an inferior product, a product which is more in line with what the entrepreneur believes consumers are in fact desirous of purchasing. It means producing a different model of a product, a different quality, putting it in a different package, selling it in a store with a different kind of lighting, selling it along with an offer of free parking, selling through salesmen who smile more genuinely, more sincerely. It means competing in many, many ways besides the pure price which is asked of the consumer in monetary terms.

With freedom of entry, every enterpreneur is free to choose the exact package, the exact opportunity which he will lay before the public. Each opportunity, each package has many dimensions. He can choose the specifications for his package by changing many, many of these variables. The precise opportunity that he will lay before the public will be that which, in his opinion, is more urgently desired by the consumer as compared with that which happens to be produced by others. So long as there's freedom of entry, the fact that my product is different from his does not mean that I am a monopolist.

#### *A Disservice to Economics*

The late Professor Edward H. Chamberlin of Harvard did economics a great disservice in arguing that because a producer is producing a unique product, slightly different from what the fellow across the street is producing, in some sense he is a monopolist. So long as there's freedom of entry, so long as the man across the road *can* do exactly what I'm doing, the fact that he is *not* doing exactly what I'm doing is simply the result of his different entrepreneurial judgment. He believes that he can do better with *his* model. I believe I can do better with *mine*. I believe that free parking is more important to consumers than fancy lighting in the store. He gives a different package than I do. Not because he couldn't do what I'm doing, not because I couldn't do what he's doing, but because each believes that he knows better what the consumer is most anxious to acquire. This is what we mean by competition in the broadest sense, not merely price competition, but quality competition in its manifold possible manifestations.

Professor Chamberlin popu-

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larized a distinction which was not original with him but which owes its present widely circulated popularity primarily to his work. That is a distinction between "production costs" and "selling costs." In his book of almost forty years ago, *The Theory of Monopolistic Competition,* Chamberlin argued that there are two kinds of costs which manufacturers, producers, sellers, suppliers incur. First, they incur the fabrication costs, the costs of producing what it is they want to sell. Second, they incur additional expenditures that do not produce the product or change it or improve it, but merely get it sold. Advertising, of course, is the most obvious example which Chamberlin cited. But "selling costs" of all kinds were considered by him to be sharply different from "production costs." In his original formulation, Chamberlin argued that "production costs" are costs incurred to produce the product for a given Demand Curve while "selling costs" simply shift the Demand Curve over to the right. That is to say, the same product is now purchased in greater quantities at a given price but the product is the same.

### *A False Distinction*

The fallacy in the distinction between production costs and selling costs is fairly easy to notice. In fact, it is impossible for the outside observer – except as he resorts to arbitrary judgments of value – to distinguish between expenditures which do, and expenditures which do not, alter the product. We know as economists that a product is not an objective quantity of steel or paper. A product is that which is perceived, understood, desired by a consumer. If there are two products otherwise similar to the outside eye which happen to be considered to be different products by the consumer, then to the economist these *are* different products.

Ludwig von Mises gives the example, which cannot be improved upon, of eating in a restaurant. A man has a choice of two restaurants, serving identical meals, identical food. But in one restaurant they haven't swept the floor for six weeks. The meals are the same. The food is the same. How shall be describe the money spent by the other restaurant in sweeping the floor? "Production costs" or "selling costs?" Does sweeping change the food? No. Surely, then, it could be argued that this is strictly a "selling cost." It is like advertising. The food remains the same; but, because you have a man sweeping out the floor, more people come to this restaurant than to that.

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But this is nonsense. What you buy when you enter a restaurant is not the food alone. What you buy is a meal, served in certain surroundings. If the surroundings are more desirable, it's a different meal, it's a different package. That which has been spent to change the package is as much production cost as the salary paid to the cook; no difference.

Another example that I recall was the case of the coal being run out of Newcastle and traveling along the railroad toward London. Every mile that coal travels nearer the London drawing room, the Demand Curve shifts over to the right. How shall we describe that transportation cost? "Production cost" or "selling cost?" Of course, it's "production cost." In fact, it's "selling cost" too. All "production costs" are "selling costs." All costs of production are incurred in order to produce something which will be more desirable than the raw materials.

You take raw meat and turn it into cooked steak. The act of changing the raw meat into cooked steak is to make the consumer desire it more eagerly. Does this simply shift the Demand Curve over to the right? Of course, it does that. It does it by changing the product.

Another example supposes there are two identical pieces of steel, except that one piece has been blessed, while the other piece is subject to a spiritual taint, which to the scientist is not there but which is very vivid and vital to the consumer. How shall we describe the expenditure on the commodities? Shall be describe the difference between them as nonexistent? Or should we not recognize that, if something is spiritually tainted to the consumer – in his view, not necessarily in mine or yours or the economist's or other than in the mind of the consumer – then he will not buy the tainted item, even though to the objective laboratory scientist there's no difference between the items? The economist has recognized these as two different commodities. There'll be two Demand Curves. The fact that the scientist doesn't see any difference – they look the same, they smell the same, if you touch them they feel the same – is irrelevant. We know, as economists, that what we find in a commodity is not the objective matter that is inside it, but how it is received by the consumer.

Clearly then, the distinction between a so-called "selling cost" and "production cost" is quite arbitrary. It depends entirely on the value judgments of the outside observer. The outside observer

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can say that this particular selling effort does not change the product, but in that situation he is arrogating to himself the prerogative of pronouncing what is and what is not a product. That is something which violates our fundamental notions of individual consumer freedom: that a consumer's needs are defined by no one else other than himself. This may seem quite a detour from advertising and yet it is all relevant to the question of what role advertising has to play.

### *The Provision of Information*

Let us consider how some of these notions apply to the matter of information. One of the standard defenses for advertising is that it provides a service which consumers value: the provision of knowledge, the provision of information. People buy books. People go to college. People enroll in all kinds of courses. Advertising is simply another way of providing information. To be sure, it would seem that the information provided by suppliers comes from a tainted source, but don't forget that we are imagining for the meantime a world without deceitful people.

We can even relax that assumption for a moment. It may be cheaper for the consumer to get his information from the supplier or the producer than from an outside source. In other words, if you, a consumer, have the choice of acquiring information about a particular product – either more cheaply from the producer or more expensively from an outside, "objective" source – you may decide that, on balance, you're likely to get a better deal, penny-for-penny, information-wise, by reading the information of the producer, scanning it perhaps with some skepticism, but nonetheless relying on that rather than buying it from an outside source. Technically, this involves what is known as the problem of transactions costs. It may be more economical for the information to be packaged together with the product, or at least to be produced jointly with the product, than to have the information produced and communicated by an outside source. This is a possibility not to be ignored.

Advertising provides information, and this goes a long way to explain the role which advertising and other kinds of selling efforts must play. Does this not seem to contradict the point just made, that there is no distinction between "production costs" and "selling costs"? Surely information about a product is distinct from the product. Surely the costs incurred to provide information are a different kind of costs than

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the costs incurred to produce the product. The answer is clearly, no. Information is produced; it is desired; it is a product; it is purchased jointly with the product itself; it is a part of the package; and it is something which consumers value. Its provision is not something performed on the outside that makes people consume something which they would not have consumed before. It is something for which people are willing to pay; it is a service.

You can distinguish different parts of a service. You can distinguish between four wheels and a car. But the four wheels are complementary commodities. That is to say, the usefulness of the one is virtually nil without the availability of the other. The car and gasoline are two separate products, to be sure, and yet they are purchased jointly, perhaps from different producers, different suppliers, but they are nonetheless parts of a total package, a total product. If it happens that the information is produced and sold jointly with the product itself, then we have no reason to question the characteristics of the costs of providing information as true "production costs," not producing necessarily the physical commodity about which information is produced, but producing information which is independently desired by consumers, independently but jointly demanded, complementarily used together with the "product" itself. In other words, the service of providing information is the service of providing something which is needed just as importantly as the "product" itself.

### *Why the Shouting?*

There is another aspect of advertising which is often overlooked. Information is exceedingly important. But, surely, it is argued, information can be provided without the characteristics of advertising that we know, without the color, without the emotion, without the offensive aspects of advertising. Surely information can be provided in simple straightforward terms. The address of this and this store is this and this place. These and these qualities of commodities are available at these and these prices. Why do illustrated advertising messages have to be projected? Why do all kinds of obviously uninformative matter have to be introduced into advertising messages? This is what renders the information aspects of advertising so suspect. The Marxists simply laugh it away. They say it is ridiculous to contend that advertising provides any kind of genuine information. If one rests

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the defense of advertising on its informative role, then one has a lot of explaining to do. One has to explain why information that could be provided in clear cut, straightforward terms is provided in such garish and loud forms, in the way that we know it.

The answer, I think, is that advertising does much more than provide information which the consumer wishes to have. This is something which is often overlooked, even by economists. Supposing I set up a gas station. I buy gasoline and I have it poured into my cellar, my tanks. I have a pump carefully hidden behind some bushes, and cars that come down the road can buy gas if they know that I'm here. But I don't go to the effort to let them know I'm here. I don't put out a sign. Well, gas without information is like a car without gas. Information is a service required complementarily with the gas.

### *Customers Want to Know Where to Find the Product*

Supposing, then, I take a piece of paper, type very neatly in capital letters, "GAS," and stick it on my door. Cars speed down the road in need of gas, but they don't stop to read my sign. What is missing here? Information is missing. Don't people want information? Yes. They would like to know where the gas station is, but it's a well kept secret. Now, people *are* looking for that information. It's my task as an entrepreneur not only to have gas available but to have it in a form which is known to consumers. It is my task to supply gas-which-is-known-about, not to provide gas *and* information.

I have not only to produce opportunities which are available to consumers; I have to make consumers aware of these opportunities. This is a point which is often overlooked. An opportunity which is not known, an opportunity to which a consumer is not fully awakened, is simply not an opportunity. I am not fulfilling my entrepreneurial task unless I project to the consumer the awareness of the opportunity. How do I do that? I do that, not with a little sign on my door, but with a big neon sign, saying GAS; and better than that I chalk up the price; and better than that I make sure that the price is lower than the price at nearby stations; and I do all the other things that are necessary to *make* the consumer *fully* aware of the opportunity that I am in fact prepared to put before him. In other words, the final package consists not only of abstract academic information but in having the final product placed in front of the consumer in such a form that he cannot miss it.

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### Free $10 Bills!

The strange thing about the world in which we live is that it is a world in which $10 bills are floating around, free $10 bills! The problem is that very few of us notice these $10 bills. It is the role of the entrepreneur to notice the existence of $10 bills. An entrepreneur buys resources for $10 and he sells the product for $20. He is aware that resources available for $10 are currently being used in less than optimum fashion, that commodities for which consumers are willing to pay $20 are not being produced, and he puts these things together. He sees the $10 bill and makes the combination which other people do not see. Anybody might do it – freedom of entry. The entrepreneur notices the $10 bill, gets it for himself by placing in front of the consumer something which he had not noticed. If the consumer knew where he could buy resources for $10 and get the product that is worth $20, he wouldn't buy from the entrepreneur. He would do it himself. Since he doesn't know, I, as entrepreneur, have to create this opportunity and make the consumer aware.

It is not enough to buy gas and put it in the ground. The entrepreneur puts it in the ground in a form that the consumer recognizes. To do this requires much more than fabrication. It requires communication. It requires more than simple information. It requires more than writing a book, publishing it, and having it on a library shelf. It requires more than putting something in a newspaper in a classified ad and expecting the consumer to see it. You have to put it in front of the consumer in a form that he *will* see. Otherwise, you're not performing your entrepreneurial task.

### The Growth of Advertising

Advertising has grown. Compare the volume of advertising today with the volume of 100 years ago and it has grown tremendously. More! Consider the price of a commodity that you buy in a drug store or in a supermarket. Find out what portion of that price can be attributed to advertising costs and it turns out that a much larger percentage of the final cost to the consumer can be attributed to advertising today than could have been attributed 50 years ago, 70 years ago, 100 years ago. Why is this? Why has advertising expenditure grown in proportion to total value of output? Why has advertising expenditure grown in proportion to the price of a finished commodity? Why has advertising apparently grown more offensive, more loud, more shrill? It's fairly easy to understand.

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I give, as example, the lobby walls of a college building that I know very well. At one time this was a handsome lobby with walls of thick marble; you could walk from one end of the building to the other and the walls would be clear. Some years ago an enterprising entrepreneur decided to use some free advertising space. He pasted up a sign. It was the only sign on the wall; everybody looked at it, saw the message. I don't remember what the message was or whether it was torn down, but I do remember that soon afterward those walls were full of signs. As you walked down the passage, you could read all kinds of messages, all kinds of student activities, non-student activities, student non-activities. It was fairly easy to learn about what was going on simply by reading the signs.

At first, the signs did not have to be big. But as advertisers saw the opportunity, the free space gradually filled up. The Ricardian rent theory came into play; all the free land was in use. And as the free land or space was taken, of course, it became more and more important to get up early to paste up your sign. That was the "rent," the high price, getting up early. But more than that, it became necessary now to arouse all kinds of interest in me in order to get me to read these signs. In other words, the variety and multiplicity of messages make it harder and harder to get a hearing.

### *The Price of Affluence*

We live in a world which is often described as an "affluent society." An affluent society is one in which there are many, many opportunities placed before consumers. The consumer enters a supermarket and if he is to make a sensible, intelligent decision he is going to have to spend several hours calculating very carefully, reading, re-reading everything that's on the packages and doing a complete research job before feeding all the information into the computer and waiting for the optimum package to be read off. It's a tough job to be a consumer. And the multiplicity of opportunities makes it necessary for advertisers, for producers, to project more and more provocative messages if they want to be heard. This is a cost of affluence. It is a cost, certainly; something that we'd much rather do without, if we could; but we can't.

The number of commodities that have been produced is so great that in order for any one particular product to be brought to the attention of the consumer a large volume of advertising is necessary. And we can expect to get more and more. Is it part of

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production costs? Very definitely, yes. It is completely arbitrary for anyone to argue that, whether or not the consumer knows it, the commodity is there anyway, so that when he pays the price which includes the advertising communication he is paying *more* than is necessary for the opportunity made available. For an opportunity to be made available, it must be in a form which it is impossible to miss. And this is what advertising is all about.

One more word about the offensiveness of advertising. Ultimately in a free market, consumers tend to get what they want. The kinds of products produced will reflect the desires of the consumer. A society which wants moral objects will get moral objects. A society which wants immoral objects will tend to get immoral objects. Advertised communication is part of the total package produced and made available to consumers. The kind of advertising we get, sad to say, is what we deserve. The kind of advertising we get reflects the kind of people that we are. No doubt, a different kind of advertising would be better, more moral, more ethical in many respects; but I'm afraid we have no one to blame but ourselves, as in all cases where one deplores that which is produced by a market society.

A final word about deceit. Of course, deceitful advertising is to be condemned on both moral and economic grounds. But we have to put it in perspective. Let me read from one very eminent economist who writes as follows:

> The formation of wants is a complex process. No doubt wants are modified by Madison Avenue. They are modified by Washington, by the university faculties and by churches. And it is not at all clear that Madison Avenue has the advantage when it comes to false claims and exaggerations.[1]

### *Take with a Grain of Salt*

In other words, we live in a world where you have to be careful what you read, to whom you listen, whom to believe. And it's true of everything, every aspect of life. If one were to believe everything projected at him, he would be in a sorry state.

It is very easy to pick out the wrong messages to believe. Now, this doesn't in any way condone or justify deceitful messages of any kind. We have to recognize, however, while particular producers may have a short-run interest in projecting a message to consumers of doubtful veracity, that

[1] H. Demsetz, "The Technostructure, Forty-Six Years Later," (*Yale Law Journal*, 1968), p. 810.

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so long as there's freedom of competition the consumer has his choice not only of which product to buy but who to believe. And notice what is the alternative in this world of imperfect human beings. The alternative, of course, is government control – still by imperfect human beings. So there is no way to render oneself invulnerable to the possibility of false, fraudulent, deceitful messages.

It would be nice to live in a world where no deceitful men were present. It would be cheaper. You could believe any message received. You wouldn't have to check out the credentials of every advertiser. But that is not the world in which we live. You check out the credit standing of individuals, the character of people with whom you deal; and this is an unavoidable, necessary cost. To blame advertising for the imperfections and weaknesses of mankind is unfair. Advertising would exist under any type of free market system. Advertising would be less deceitful if men were less deceitful. It would be more ethical, less offensive, if men were less offensive and more ethical. But advertising itself is an integral, inescapable aspect of the market economy.

# WHAT DO YOU HAVE *against* THE POOR

LEONARD E. READ

WHENEVER he hears someone demand a minimum wage law or any other impediment to freedom in transactions, my friend asks in all seriousness, "What do you have against the poor?" His point is well-taken. Unquestionably, many sponsors of welfare schemes – the long-run effect of which is to kill the goose that lays the golden eggs – are well-intentioned. Their hearts, if not their heads, are in the right place. The idea that they are doing offense to the very persons they wish to help is a shocker – hopefully, an eye-opener.

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Perhaps the first shock would stem from the thought that a minimum wage law might do injury to anyone at all. Possibly to the wealthy employer, but surely not to the poor! The fact, however, is that those who have little to offer in the way of marketable skills are marginal producers at best; their services are wanted by others only at very low wages. Indeed, the total disappearance of such marginal producers would scarcely affect the over-all economy. So my friend is quite right. It is primarily, if not entirely, the poor who stand to lose if wage rates are pegged artificially high; those who sponsor minimum wage laws behave as if they hold a grudge against the poor.

The fact that a fair share of these sponsors act from motives of sympathy or pity – that they bear no grudge – in no way changes the consequences of their actions. Nonetheless, they victimize the poor. They hurt most the ones they love – and all because they fail to recognize these simple facts:

1. The eternal problem of economics is to overcome scarcity.

2. Plenitude is achieved by the application of human energies to natural resources and to the exchange of the numerous specializations.

3. The value of anything to anyone is always a subjective judgment – whatever one is willing to give up or trade for something else.

4. Freedom of production and trade – the free market – is the goose that lays the golden eggs and all impediments to this process, to the extent of their force and coverage, are destructive – obstacles to plenitude.

5. Minimum wage laws of say $2.00 leave unemployed all persons whose services are not of that much value to others.

6. To the extent of the productive potential thus unemployed, to that extent is the number of golden eggs reduced. But far worse: to that extent is everyone who cannot produce up to $2.00 an hour decreed *waste* and relegated to the economic scrapheap.

### *Wage Floors Hurt the Poor*

Nearly all who think of themselves as professional economists, regardless of their differences on some matters, agree that minimum wage laws inflict injury first and foremost on the poor. Even the avowed socialist, Gunnar Myrdal, the celebrated Swedish economist, turns thumbs down on this economic monstrosity.[1] The writings of economists in support of

[1] See *The American Dilemma* (rev. ed.) by Gunnar Myrdal (New York: Harper & Row, 1962).

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this point are plentiful, indeed.

However, not all sponsors of minimum wage laws are "good guys" lacking in economic sense. There are countless thousands, perhaps a majority, whose motivations are mercenary. The first type is to be found in labor union "leadership." The motivation here is to keep these low-wage, marginal producers off the labor market, that is, to eliminate them from competition. Permit no one to wait on table for, say, $1.00 an hour, even if he wishes to do so, and the union gains a monopoly of waiters' jobs. Call this crass materialism or what you will, it is not inspired by sympathy or pity.

The second type is to be found in political "leadership." The motivation here is to climb on the bandwagon of labor union popularity in order to get elected to office. Sympathy? Hardly!

As a novelist says of one of these characters, "He had learned to love the poor, *profitably*!"

Minimum wage laws generally call to mind only those legislative edicts bearing the label. In 1938 the minimum was 25 cents; in 1945, 40 cents; and since has risen step by step to $1.60. Presently, the proposal is $2.00. These edicts, however, are only the obvious. Every arbitrary wage coercively imposed by labor unions, over and above whatever the free market wage would be, is really a minimum wage. The minimum wage for a captain of a 747 jet is $57,000 annually. Try to get the job for less! But stop not here. The tariff and all other restrictions to free and unfettered exchanges are, in a strict economic sense, minimum wage laws. Those who condemn minimum wage laws, so called, and lend support to other infractions of the free market such as wage and price controls are proclaiming their inconsistency. Every one of these fixities and rigidities – these closures of the market – wreak their hardship on consumers; and the poorer the person, the greater the hardship!

### *A More Helpful Approach*

What is the alternative? What advice shall we give the person who earnestly desires to help "the poor?"

First of all, he must recognize and respect as an individual the one he would love – which means to encourage but in no way to interfere with that person's capacity, will, and effort to help himself. In other words, afford him every opportunity to *earn* his way. How earn it? By serving others, of course. How else does anyone *earn* anything! And what is the most likely opportunity for a poor man to earn his way? By selling his services to the highest bidder

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in open competition. Let buyers compete for his services – which means, in general, that the highest bidder will be the employer who can most profitably use that person's services. That employer will earn a profit, not because he is exploiting anyone, but because he is most efficiently using scarce resources for purposes that consumers want and can afford. And "the poor" will reap benefits both as employees and consumers as they move upward out of poverty.

The question is this: how can these countless thousands in the labor union and political categories so flagrantly abuse the poor and be applauded rather than condemned for their actions? The answer is that labor union people and politicians who sponsor this nonsense are doing precisely what most citizens believe to be right. The overwhelming majority of citizens, operating on good intentions, fail to recognize that impediments in the market must frustrate their objective. Were the consensus free-market oriented, the political meddlers would not get to first base with their schemes; they would be thrown out of office.

The next question is, what shall be done to bring more light into this darkness? Perhaps it boils down to this: more individuals than now learning to respect the *preferences* of others as well as their own. If I prefer to wait on table for $1.00 an hour, why should not this disposition on my part be as much honored as that of another who prefers to be President of the U.S.A.? Maybe you prefer teaching for the sheer joy of it – psychic gain – to running a cannery where you might make a fortune – monetary gain. I say, blessings on you and on all others whatever their preferences, so long as you and they are peaceful. This is no more than simple justice, and anyone who acts to the contrary dons the robes of a dictator, intending to run the lives of others.

### *A Fount of Wisdom*

This simple justice and the aforementioned simple facts would seem to be within the grasp and the practice of a majority of citizens. It is my contention that these are attainable achievements in the moral and economic realm. By and large, however, they are not attained. Why? What is the impediment that hinders us from actually attaining the ends which in fact are within our power to attain? A priceless answer if it can be discovered! Let me share a thought that is becoming more and more a conviction. The essense of this thought was expressed by Ralph Waldo Emerson:

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We lie in the lap of immense intelligence, which makes us receivers of its truth and organs of its activity. When we discern justice, when we discern truth, we do nothing of ourselves, but *allow a passage of its beams.* (Italics mine)

I have quoted this before, certain that it expressed an important truth. However, it took the remarks of a recent acquaintance to help me realize its full meaning. This individual, as we met for the first time, acknowledged how helpful my writings had been, and then added, pointing to the head, "It is all here. You have merely helped me put together and to better understand that which is already within me." This is an insight that rivals Emerson's!

Emerson's point now seems clear to me and it helps to explain what stands between the attainable and its attainment: a failure to realize one's potential or an unwillingness to discover and to heed the truths within.

As Emerson so eloquently phrases it, we do, indeed, "lie in the lap of an immense intelligence." As with all radiant energy, this intelligence is in constant movement and it flows through all life. The problem of gaining understanding is one of arresting "its beams," of intercepting or appropriating that which already is within us or is passing through us.

We can be helpful to one another, not by posing as this intelligence but by using, expressing, sharing such of this mysterious energy as we may be fortunate enough to intercept. Once this way to enlightenment is perceived and practiced – a near reversal of present methods – then we may befriend the poor, not merely in proclaimed intentions but in reality. Our hearts and heads will be working in harmony.

IDEAS ON LIBERTY

***From Within***

NO CHURCH has ever gone into politics without coming out badly smirched. Individual Churchmen may be, and ought to be, if they are well informed, interested in schemes of social legislation; but to advocate a sloppy socialism under the name of "Christian politics and economics" is, in my opinion, an impertinence. . . .

Christianity aims at saving the soul – the personality, the nature of man, not his environment. In direct opposition to Marxian socialism, we are taught that from within, out of the heart of man, comes all that can exalt or defile him.

WILLIAM RALPH INGE

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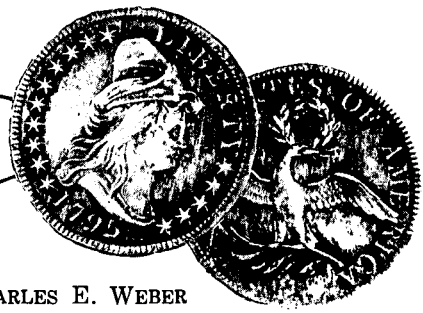
# A Closer Look at Gold



CHARLES E. WEBER

WHEN WE CONTEMPLATE the gold coins from previous centuries we are painfully reminded to what extent modern man has lost his monetary freedom and hence an important aspect of his economic freedom. For thousands of years, with only relatively few and brief exceptions prior to 1915 (or 1934 in the case of the United States) nearly all nations in the main stream of human progress have enjoyed the advantages of the use of gold coinage as a monetary medium. Cowrie shells, stone wheels, rolls of bright bird feathers, salt, bronze ingots and the like were generally the monetary media of only the least advanced peoples.

Restraints on the use of gold as a monetary medium were rare in previous centuries, so rare, in fact, that we are tempted to speculate that many of the social and economic problems besetting the world in recent decades might not simply be concomitant phenomena of the decline of the public monetary use of gold, but even the results of this decline. In our own case, it is probably not a mere coincidence that since 1934, when the monetary use of gold was prohibited to U.S. citizens, the public debt has climbed to levels that could scarcely have been imagined forty years ago, the purchasing power of the national monetary unit has deteriorated so badly that this decline has become a major national problem, export trade has declined, the centers of large cities have been rotting at

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an accelerated pace and the problem of overpopulation has begun to threaten the very quality of life to which we had become accustomed.

Prior to 1934 the use of gold as a monetary medium had been deeply rooted in our economic and legal traditions. Undoubtedly as a reaction to the chaos caused by excessive issues of paper money[1] before and during the Revolution, the Constitution provided in Article I, Section 10, that "No state shall . . . make any Thing but gold and silver Coin a Tender in Payment of Debts."[2] A handsome U.S. gold coinage was commenced in 1795 to supplement the foreign gold in circulation, which continued to have the status of legal tender until 1857 on the basis of laws of 1793, 1816, 1834 and 1843. It was this sort of legal precedent that was the basis for the monetary stability of the country (and probably its economic progress) down to recent years.

### *Fiat Money in France*

There is an interesting parallel in French monetary history. When the revolutionary government of France at the end of the 18th century tried to substitute paper money (assignats) supposedly based on the value of confiscated church properties, economic chaos resulted.[3] Later on, Napoleon I saw the need of a reform to overcome the paralysis and reinstated the use of the precious metals. His introduction of the twenty franc piece (the "napoleon") in 1803 was an act of far-reaching consequences, as we shall see below. Russia had also tried paper money, likewise designated by a similar word, *assignashii*.[4]

Although a number of governments make every desperate attempt to suppress the monetary use of gold, faith in the sun metal as a store of value is deeply ingrained in the economic common sense of human beings all over the world. When I was in

[1] For a thorough, lavishly illustrated history of the paper money issues of our land from 1690 to 1789 see the brilliant volume by Eric P. Newman, *The Early Paper Money of America*. Racine, 1967.

[2] In defending this provision, James Madison *(The Federalist Papers, No. 10)* speaks of "A rage for paper money, for an abolition of debts, for an equal division of property, or for any other improper or wicked project. . . ." In No. 44 he continues in the same vein: ". . . the pestilent effects of paper money on the necessary confidence between man and man, on the necessary confidence in the public councils, on the industry and morals of the people, and on the character of republican government . . ."

[3] For details, see Andrew D. White, *Fiat Money Inflation in France* (Irvington, N. Y.: Foundation for Economic Education).

[4] See the well illustrated volume on Russian monetary history by I. G. Spasskii. *RUSSKAIA MONETNAIA SISTEMA*, "Aurora" Press, Leningrad, 1970, p. 201.

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Russia in the summer of 1970, a young man explained to me that the old five rouble pieces struck on the standard used beginning with 1897 are now fetching about 90 paper roubles, nearly a typical month's wages in the present Soviet State. The grimly strict monetary laws and energetic propaganda of the Soviet State[5] had not been able to eradicate a desire for and a trust in gold. During and immediately after World War II many a family was able to avoid starvation by gradually giving up one gold piece after the other to purchase food that could otherwise not be obtained in economies paralyzed by war and postwar controls.

### *A Coin at Work*

Let us contemplate a half eagle struck by the young United States in 1800. As in the case of the vast majority of gold coins struck in the world before 1800, there is also no designation of value or weight on this piece. Gold coins need no designation of value or legal tender status to function well. The piece we are contemplating is worn, so badly worn that its designs are only slightly above the level of the fields, but its weight is 8.50 grams, only about 3 per cent below its legal weight of 135 grains (8.748 grams).

Now let us reconstruct the tremendous economic task that this gold piece performed so well and so long. The wear on this piece would suggest that it was in circulation at least until the weight reduction of 1834 and perhaps quite a bit longer. If it changed hands on the average of just once a week over a period of 50 years, it changed hands more than 2,500 times and was thus involved in an exchange of more than $12,500. However, the really remarkable aspect of this performance lies in the fact that every time it changed its owner, the new owner was guaranteed a stable value as long as he wished to keep the piece. What were the costs of this remarkable performance? About 15 cents' worth of gold lost through wear and the very modest cost of striking the piece. To have printed paper money for this period of circulation would have approached or exceeded the minting and gold loss costs. Far more important, however, is the fact that the costs of the gold loss and minting were a very trivial consideration in relation to the social

[5] Strange to say, during the early years of the Soviet State, gold coins were struck with the weights of the older ten-rouble pieces struck as late as 1911. The Soviet gold gieces were dated 1923 and bore the emblem of the State and a sowing peasant. There is evidence that these pieces were struck in very large quantities, but today they are very scarce. Doubtless the bulk of them were remelted.

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and economic benefits of the gold piece. Modern paper money, without a connection with the precious metals, simply cannot fulfill the traditional capacity of gold coinage to function both as a medium of exchange *and* a store of value.

Not only does gold coinage go back to the early days of the American Republic, but it covers some twenty-seven centuries of Western Civilization. It was, in turn, antedated by an even earlier, specifically monetary use of gold, a use that can be readily documented. Thus, a mural painting from Thebes, Egypt, assigned to the reign of Thutmosis III, 1501-1447 B.C., shows the weighing of gold rings and holed disks.[6] Details of this painting reveal the status that gold had attained as a monetary medium. The weights on the balance pan are in the form of bovine heads and sheep! This illustrates the fact that a transition had been made from an economy in which cattle were used as exchange to one in which the precious metals had taken their place, but the tradition of the cattle exchange is preserved in the very shape of the weights. To mention a later parallel, the earlier Latin word for money, *pecunia*, developed from *pecus*, meaning "cattle." In the case of the Teutonic languages, the German word for cattle, *Vieh*, is a cognate of English *fee*.

American Indian civilizations never developed a gold coinage as did the Europeans, but gold was used as a medium of exchange in the form of quills filled with gold dust. Undoubtedly, too, the many pre-Columbian gold ornaments, often of considerable artistic merit, played some sort of monetary role.

### Coinage in Ancient Greece

The very beginnings of Greek gold (or more specifically, electrum) coinage are nebulous. One type with two confronted lions' heads is actually inscribed "Alyas," a variant form of the name of King Alyattes, fourth of the Mermnad kings of Lydia, who reigned 610-561 B.C. Far more abundantly preserved, however, are the electrum pieces of various weights (1/12, 1/6 and 1/3 staters) bearing the head of a lion with a radiate knob on the forehead. The weights of these pieces are astonishingly consistent. Six specimens of the 1/3 stater preserved in the Boston Museum of Fine Arts have the narrow range

[6] For a reproduction of this painting, see Heinrich Quiring, *Geschichte des Goldes / Die Goldenen Zeitalter in ihrer kulturellen und wirtschaftlichen Bedeutung*. Ferdinand Enke Verlag, Stuttgart, 1948, page 48. This book, by the way, is an excellent source of information on the history of the mining, refining and use of gold.

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of 4.66 grams to 4.71 grams, with fracional pieces in a close proportion.[7] Other very important early series of electrum coins were those of Kyzikos in Mysia (started before 550 B.C.), Mytilene on the island of Lesbos (ca. 500 B.C. ff.) and Phokaia in Ionia (started before 500 B.C.). These early gold series consisted of electrum, a more or less natural mixture of gold and silver, such as was mined in what is now western Turkey. Later on, more sophisticated refining methods were used to prepare the planchets. The huge gold coinages of the kings of Macedonia, Philip II (359-336 B.C.) and Alexander the Great (336-323 B.C.), are notable for the fact that they consisted of nearly pure gold, with specific gravities ranging around 19 (pure gold: 19.3 times the weight of water). By the time the autonomy of the Greek states had been extinguished by the expanding Roman Empire, no less than fifty of them had struck gold coins.

The Roman Republic and subsequently the Roman Empire had as a gold unit the *aureus*, which was first struck in quantity around 46 B.C. At that time it had a weight of 1/40 of a Roman pound (8.19 g). Its high purity persisted but its weight gradually sank over a period of nearly four centuries.

### *The Solidus*

The next great gold series, the solidus, got its start in the early fourth century under Constantine the Great (reigned 306-337 A.D.). The solidus was one of the most remarkable and enduring of all gold coins. Its weight and fineness were maintained with only occasional variations for over seven centuries, in spite of all the military, economic and political vicissitudes of the late Roman Empire and its continuation in the east (the "Byzantine" Empire). During this very long period the solidus had little competition in the world except for the gold of the Islamic dynasties which originally started as imitations of the Byzantine solidus during the seventh century. The Ostrogoths in Italy also imitated the solidus in great quantities during the fifth and sixth centuries, but unlike the Islamic imitations, the Ostrogothic solidi bore the name and portraits of the Byzantine emperor and can be distinguished from the Byzantine pieces only by subtle stylistic differences. So familiar was the world with the solidus that we

[7] An excellent source for the metrological aspects of the earliest electrum coinage, including the specific gravities of many specimens, is the catalogue of the holdings of the Boston Museum of Fine Arts published by Agnes Brett in 1955.

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seldom find specimens with cuts to test the authenticity of the pieces; forgeries of them were evidently rare. Hoards of them have been found as far away as Scandinavia. Although we have no exact mint records from the Byzantine Empire, the mintage of the solidus was certainly enormous. As late as about 1950, common, worn solidi could be had for as little as about $12., not much more than twice their bullion value.[8]

After the decline of the solidus in the later medieval period it was supplanted by several important Italian, Hungarian and German series. Florence struck the fiorino d'oro (gold florin) beginning with the year 1252. It was imitated in a land with big gold mines, Hungary, in the 14th century and later. In Germany and the Netherlands, in turn, large quantities of florins were struck in the 15th and early 16th centuries, but they declined in weight and fineness when the German gold mines began to be so badly depleted that the gold became too dear in relation to the huge supplies of silver flowing from Saxony and Bohemia. (The first large-scale coinage of the predecessor of the silver dollar was done in Saxony, 1500 ff.) The Rhenish gold florin was struck in enormous quantities in such towns as Frankfurt, Cologne, Nuremberg and Utrecht. A quarter million of them were struck in 1418 in Frankfurt alone and Basel struck 126,020 during the years 1434-5.

### The Gold Ducat

On 31 October, 1284, the Maggior Consiglio of Venice decided to mint the gold ducat, one of the most important gold coins of all times. It is still being struck from dies dated 1915 in the Vienna Mint nearly 700 years later. In Venice itself, the ducat was struck with the same design (St. Mark and Doge) down to the end of the 18th century. The ducat weight and fineness became a favorite in Germany, the Netherlands, Poland, Scandinavia and Russia. It was even crudely imitated as far away as India, where the Venetian originals were also in use.

England, France, Spain and Portugal had many gold coinages

[8] To illustrate the constancy of the solidus, specimens in the author's collection weigh as follows: A solidus struck in Milan under Honorius (395-423 A.D.) weighs 4.47 grams with a specific gravity of about 18. A lightly circulated specimen of Constantine VIII (1025-1028) with an inspiring portrait of Christ weighs 4.37 grams with a specific gravity of a bit less than 19, nearly pure gold. In the subsequent decades the weight and fineness of the solidus declined sharply, but Byzantine gold coinage persisted into the 14th century. For a detailed analysis of the debasement of the solidus in the eleventh century, see *Byzantinische Zeitschrift*, 1954, pp. 379-394.

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in the later middle ages, but they were of great variety. An outstandingly successful English coin of the late medieval period was the noble, which was imitated to some extent in the Netherlands, but the English and French kings changed their standards too often to establish gold coins of the great success and influence of the solidus and the ducat. The Spanish exploitation of the large deposits in Mexico, Bolivia and Peru resulted in the huge escudo coinage of the 16th to 19th centuries. Its multiple of eight is familiar to us as the doubloon.

As noted above, the gold coinage of the United States was started in 1795, with a modest weight decrease in 1834, after which U.S. gold coinage was continued for almost exactly a century on the same standard. About 3/4 of the enormous U.S. gold coinage was in the form of double eagles (1850 ff.).

### *The Latin Monetary Union*

In France a new gold coinage was introduced in 1803 that continued to be of great importance until 1914. Denominations of 5, 10, 20, 40, 50 and 100 franc pieces were struck at various times but the most important was the 20 franc piece. The French standard was copied in Italy, Switzerland, Belgium, Spain, Greece, Serbia, Bulgaria, Romania and other lands, in some cases with different names. Some gold coinage on the franc standard continued even after World War I, especially in Switzerland. In recent years the French government has struck considerable quantities of gold using dies with older dates. The prosperous German Empire struck large quantities of gold on the mark standard (1871-1915), while the huge English sovereign coinage (1816 ff.) still dominates the trade in coined gold.

India had a long tradition of monetary gold use before the establishment of the present Republic of India with its socialistic orientation and hence hostility to private ownership of gold. Gold coinage of the European type was introduced to India no later than the time when the Bactrian Empire struck gold in a quite Greek form and with Greek inscriptions (ca. 250 B.C. ff.). Later on there were other very important Indian gold series. The Kushan gold coins were fairly close imitations of the Roman aureus, many hoards of which have also been found in India. The very abundant Kushan gold coinage was at first of high purity, like the Roman aureus, and it is even assumed that the planchets for it were prepared from remelted Roman gold. Dur-

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ing the first and second centuries the Roman Empire had a severe balance of trade problem with India because of the commerce in spices, gems and other Indian goods desired by the luxury-loving Romans.

### *Debasement in India*

With the decline of the Kushan Empire its gold coinage became severely debased, especially after about 200 A.D. After about 320 A.D. the Gupta kings also continued gold coinage in important quantities. After the decline of the Gupta realm, i.e., after about 450 A.D., a number of Hindu dynasties continued gold coinage. The famous uninscribed and enigmatic elephant pagodas of perhaps about 1300 and later are now believed to be the private products of Indian goldsmiths. In the north the Islamic rulers (the Sultans of Delhi and subsequently the Mughal Emperors) struck gold in large quantities. In the south, the Hindu Vijayanagar Empire struck large amounts of a very neat gold coinage between 1377 A.D. and the disastrous Battle of Tallikota in 1565. Beginning with the 16th century, various European powers struck gold series for their territories in India; the Portuguese, the Dutch, the French, the Danes and especially the British, who first imitated the trusted gold coinage of the moribund Mughal Empire before striking gold in the European style.

In Japan, which has gold mines that have been worked since medieval times, gold was used in the form of oval plates punched with various devices. During the 19th century base gold rectangles were produced in considerable quantities. Just as the Meiji Era brought so many other changes to Japan, its earliest years saw the introduction of a very beautiful gold coinage of occidental style based on the U.S. gold denominations. So highly prized are 20 yen pieces of 1870 (46,139 struck) that they fetch over one million yen today. With the exception of a few gold issues in this century, China has virtually no tradition of the coining of gold, although it has been prized for artistic uses for many centuries in China.

### *3000 Years of Gold*

I have surveyed the history of gold coinage in some detail here in order to show what a great economic role it has played in nearly every civilization (with the notable exception of the Chinese). European traditions of the monetary use of gold can be traced back for nearly three millenia in the form of gold coins alone.

The decline of gold coinage we have witnessed during the last

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three to five decades[9] thus represents a radical departure in monetary affairs. The coining of gold had hitherto been interrupted only sporadically by attempts to substitute other media for the precious metals.

It is undeniably true that many modern economists harbor a strong bias against the monetary use of gold. This bias is by no means difficult to explain, since these economists are the ones who see the most important role for themselves in governments which intervene strongly in the economy. Gold strongly restricts governmental intervention in the economy and the redistribution of wealth from the productive to the non-productive components of the population. Perhaps to some extent, too, the bias against the monetary use of gold is simply based on ignorance about the present and past monetary roles of gold. After all, a new generation has come onto the scene since 1934.

We appreciate the role of gold as an honest, constructive monetary medium when we consider the nature of its enemies. Keynes, whom Lenin lauded before the Second Congress of the Communist International, considered gold a barbarous relic. Typically, the people who are shouting most loudly that gold is a barbarous relic are the very ones who are most adament in their demands to suppress the monetary use of gold by force. (Who, really, are the barbarians?) These "experts" must know full well just how powerful gold is in spite of their public denials that it should play a role in the monetary system and in spite of their claims that it is worthless except for filling teeth and the like.

### *Private Coinage*

When governments have refused or have been unable to strike gold coins in sufficient quantities for commerce, private persons have provided gold coins in many instances. We need only think of the many private gold coinages in the United States alone: the Bechtler gold pieces struck in North Carolina in the 1830s and later, in addition to the massive amounts of gold struck privately in California in the 1850s and later. There have also been many private gold series in India and Germany, for example. A large private striking of gold on the ducat standard has taken place in

9 The coining of gold has by no means ceased altogether, even in the case of governmental mints. During the last 10 to 15 years or so the following governments have struck gold in quantity: Austria, Republic of China, Dominican Republic, Egypt, France, Great Britain, Katanga, Mexico, Persia, Peru, South Africa, Spain and Turkey. In some cases older dies were used. Many other lands have also struck gold in token quantities.

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Germany during the last two decades. In addition, many fogeries of well-known gold types with full or nearly full weight and fineness have been made in large quantities in recent decades. The American double eagle, the British sovereign and the 20 franc piece have been favorite forms of the counterfeiters, whose activities have flourished on a vast scale in recent years because of the need for gold coinage and the failure of public mints to perform their traditional duties of providing gold in convenient form.

Because of the strong biases of many economists against the monetary use of gold, a number of myths and erroneous conceptions have grown up about gold coinage. Even some libertarian economists are lacking in sufficient knowledge about the history of gold coinage to refute the nonsense that is often deliberately propagated.

It is an error to assume that all gold coinages were constantly being eroded in value by debasement and weight reductions. Indeed, the really important gold series were struck over long periods of time, in some instances for many centuries, without substantial reductions. One need only think of the solidus, the ducat, the escudo and the vast gold coinages of the nineteenth century; the sovereign, the double eagle and the napoleon.

It is also an error to assume that the frauds committed in connection with gold coins were of very great importance. Sometimes coins were filed or sweated (friction in bags in which the gold dust was collected) and sometimes test cuts were made by which a small amount of gold was removed. However, such frauds could readily be detected by gold scales. Forgeries existed and there were printed descriptions of them as early as the 15th century. Still, such frauds are quite insignificant compared to the vast frauds carried out in connection with paper money, which is cheaper to counterfeit than gold coins. Of vastly greater importance, of course, is the fraud carried out against productive citizens by governments themselves which refuse to coin precious metals and keep issuing ever greater quantities of paper money.

It is still another error to assume that gold is the ally only of the wealthy. In this age of complicated tax laws and deceptive monetary policies it is the wealthy who can afford the best advice on taxes and investments. For the saver of modest means, a little hoard of gold and silver has often proved to be the best protection against confiscation of his savings by devaluations of currency.

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### *There's Plenty of Gold*

The argument that there is "no longer enough gold for monetary purposes" is one of the more absurd arguments that has been made against the return to the monetary use of gold. The United States could start minting gold again within the very short time required to prepare the dies. Plenty of gold could be delivered to the mints from the mines now kept idle by governmental restrictions. Any seigniorage charged should not exceed the actual minting costs. As to the relation of the new gold coins to the huge heaps of paper money now in circulation, the problem could be easily circumvented simply by omitting any designation of value on the coins and employing the familiar weights and fineness of the quarter eagles, half eagles, eagles and double eagles. The double eagles, for example, might bear the inscription "516 GRAINS, 900 FINE" instead of the erstwhile "TWENTY DOLLARS." As in previous generations, the deliverers of gold to be minted would be charged a small fee for minting costs and the gold pieces would be theirs to keep or put into commerce.

Striking gold coins without any designations of value on them is a procedure that was not only used in previous centuries, but also in recent decades. Consider the following examples: Beginning in 1921, Mexico had struck gold pieces somewhat larger than the U.S. double eagle. The Mexican pieces are known as the "centenario" because they originally commemorated the centennial of the Republic. For years these pieces were struck in large quantities with the designation of *50 Pesos*. By 1943, however, the designation had become meaningless because of the considerable depreciation of the value of the Mexican paper and silver currency. In 1943 the centenario appeared without the usual inscription of *50 Pesos* but with an inscription describing the weight and fineness, the really important factors. There are many variations on the procedure. Great Britain, for example, struck over 30 million sovereigns between 1957 and 1966 for overseas trade. These continued to bear no designation of value, just as all modern sovereigns (since 1816) had borne none.

### *Market Sets the Value*

If the government were to resume the striking of gold pieces, as it should without delay, it would be easy to determine what designation of value, if any, were to be put on them after supply and demand had established a price in terms of other media. For purely

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monetary purposes, however, no designation of value would really be necessary, since gold coins need no legal tender status to work well, both as a medium of exchange and as a store of value.

The lessons of monetary history are clear. Without the resumption of gold coinage or at least a free commerce in all of the precious metals, including especially gold, inflation will go on and on and on. Even just the tolerance of a free gold market would inhibit inflation by providing a constant gauge of the value of other monetary media.

Those being hurt by inflation should bear the following in mind: The reason that governments with a redistributive economic philosophy frown on gold coins is because of the fact that inflation is a big aid if not, indeed, an essential factor in the redistributive process. If those persons in government circles who are talking about "fighting inflation" were at all sincere, they would immediately remove all restrictions on the mining and monetary use of gold and resume a governmental function which had been taken for granted for literally thousands of years in western thought, the striking of gold coins with an established weight and fineness.

Those being hurt by inflation have a powerful weapon at their disposal if they would only realize it and act accordingly. They could refuse to buy all bonds, public or private, that did not contain gold clauses. While it is true that gold obligations have been repudiated in the past,[10] the constant demand for gold obligations would undoubtedly have an influence on national monetary policies. Restoration of the right to own gold and make contracts in terms of gold would be a major step toward restoration of the basic principle of economic freedom, a freedom no less sacred than other freedoms. The restoration of our traditional rights with regard to gold should be vigorously supported by all those who prize economic freedom and abhor the emptiness, stagnation, decay and oppression of the omnipotent socialistic state.

[10] But not without a loss of face. The refusal of the United States to redeem gold bonds after 1934 was perhaps the greatest breach of faith that had been committed by it as of then. The exact wording of these bonds is significant. Gold bonds dated May 9, 1918, for example, contain the following clause: "The principal and interest hereof are payable in United States gold coin of the present standard of value." Although the bankruptcy of an individual may be, in a technical legal sense, different from the bankruptcy of a nation, the failure to redeem national obligations in precious metals has always been an act parallel to the bankruptcy or dishonesty of an individual.

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STANLEY YANKUS

# CAUSE AND EFFECT

IN ANY specific community during any specific period of time, the weather, the water supply, the schools, the customs, the language, the government, and various other environmental factors are nearly identical for all persons. In such similar influences and surroundings it would be reasonable to expect the lives of the people to be as similar as sardines. But they are not. It is easy to observe that the lives of some men and women are marred by hatred, scorn, envy, fights, and even murder while others live quiet, respectful, honorable, peaceful lives in the same vicinity.

This startling contrast makes it evident that some individuals are able to achieve a high degree of self-improvement while others have little success.

The men and women who usually fail in their self-improvement see no rhyme or reason in the events that take place in their lives. As they see it, life is a series of gambles. If something goes wrong, it was an accident; if something turns out all right, it was pure luck.

Those who are successful in their self-improvement have learned that opportunities are a product of cause and effect—chance plays no part. Favorable opportunities are produced by the use of good methods and hard work.

Cause and effect run through the entire gamut of human experiences, from one's smallest pleasure to his biggest problem. In order to find the happiness we seek in life, it is beneficial to understand the role of cause and effect. It is my purpose to examine the relationship between cause and effect, self-improvement and free-

Mr. Yankus moved to Australia from Michigan in protest against government intervention in agriculture, but knows that it is not a sufficient purpose for his life.

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dom. Let me begin with these two premises: (1) Cause and effect operate in the universe. (2) Self-improvement is the most effective means of creating freedom.

A farmer near Crystal Brook, South Australia said, "I will pay a reward of two dollars to anyone who can tell me something that happened without a cause." The reward money attracted many wild guesses from people who were eager to get an easy dollar from this farmer. But none of the answers were valid.

After some thought, most people will concede that everything has a cause, but the thought of having to accept responsibility for all of their troubles produces fear. So the concession is hedged: "Yes, but I am not in complete control of all the causes that produce troubles in my life. It is not my fault that other people injure me, lie to me, and cheat me in various ways. Furthermore, my freedom is curtailed by a socialistic government over which I have no control."

### *Put Yourself in Charge*

Assume for a moment that you were in charge of the planet, Earth, and it was up to you to arrange the scheme of things. No doubt, you would want to arrange the affairs of this world so no one could write you a letter of complaint. The only way you could avoid all complaints is by establishing perfect justice. What is justice except to give to each person exactly what he deserves? The means of accomplishing justice would be to have cause and effect operate in all things: good for good, bad for bad, no work — no pay. In spite of appearances to the contrary, that is how I perceive the world to be arranged. Our perception of how the world is arranged is very important because almost all of our actions relate to it.

One of my good friends believes that all diseases are caused by harmful living habits and wrong eating instead of contagious germs. To prove his belief in cause and effect to an acquantance, he said: "Do you think that God gets up in the morning yawning, stretching and saying, 'Gee whiz, I slept badly last night and I am not in a good mood this morning. So I think I will show the people on earth some of my mighty power. I'll give Jack diabetes, I'll give Tom polio, I'll give Robert rheumatism, I'll give Henry a heart attack, and I'll give Sam cancer.' Or do you think that God established perfect laws of cause and effect which work unfailingly and justly at all times and to all people on this earth?" Without hesitation, the acquaintance decided that

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cause and effect operated in the universe. The Bible explains cause and effect in this way: "Be not deceived; God is not mocked: for whatsoever a man soweth, that shall he also reap." (Galatians 6:7)

### *Freedom Not for Sale*

Do you really want freedom? Your sincere and eager reply may be, "Yes, of course. Give it to me." But is that possible? Let us investigate the means of getting any and every fragment of self-improvement we possess. Suppose you want to learn how to speak a foreign language, or learn how to build a modern home, or learn how to repair a radio, or learn any other skill. Can you go into a retail store and buy these skills for a thousand dollars, or can your parents or anyone else who loves you give these skills to you as a gift, or can the senators and representatives in government enrich your life with these skills by passing laws, or could you side-step all the hard work and steal these skills on some dark night? Of course, you cannot.

Isn't it magnificent the way the Creator arranged the scheme of things so no one could cheat on his or her self-improvement! You get nothing for nothing; you only get exactly what you deserve as a reward for your personal effort. This is proof that cause and effect operate in the acquisition of all self-improvement. And since freedom is obtained by self-improvement, it becomes clear that freedom has to be earned by each individual who wants freedom. Let it be emphasized that freedom is an individual affair in self-improvement which can begin right now. Those who wait until the next election to increase freedom, wait in vain. It is a vain hope to believe that freedom can be established in a nation by benevolent statesmen for the perpetual enjoyment of all. If that were possible, it would already have been done a long time ago.

Freedom has never been obtained by the use of an excuse. Many individuals will admit the importance of freedom but they use this excuse: "It is a full time job for me to support my family. I haven't got the time or energy to worry about freedom." Fair enough. However, these individuals do admit they have enough time to earn a living. If each family practiced the virtue of self-improvement by being self-supporting, it would free more slaves than the Civil War between the States. What is more, no war would have to be fought. To find out who the slaves are, let us trace cause and effect. When a farmer or anyone else accepts government subsidies, medical aid, wel-

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fare, or whatever, he causes a taxpayer to earn part of his living for him. The effect of forcing a taxpayer to work without compensation is slavery by taxation.

### *The Pain of Slavery*

There are many men and women who believe that the socialistic idea of slavery by taxation is the ideal arrangement. How can we tell who is right? The answer is revealed by cause and effect. The effect of harmful causes is painful. A Spanish proverb says: "God comes to us without a bell." Pain is the silent language used by Creation to tell us we are acting wrongly. There can be no dispute that slavery is a painful arrangement; consequently, the socialistic idea of slavery by taxation is not in harmony with Nature's laws.

Time and time again men have turned to government to secure their safety and protection by passing laws. Recently the government of South Australia passed a law to protect car drivers from being killed. The law requires car drivers to wear seat belts; but since the law has been in effect, the number of deaths due to car crashes has increased. The government Minister of Transport is sincerely puzzled why the law failed to achieve its objective.

Never before in the history of the world have there been more laws in effect than at present. As more and more government laws are enacted each year, it would be logical to expect the government protection to get better. Instead, the daily newspapers report the sad stories of an increasing number of individuals who are being harmed and killed.

The government laws have failed to furnish protection because almost all of these laws fail to harmonize with Nature's laws. In any contest for supremacy, Nature's laws of cause and effect will always prevail over government laws.

After school hours, I delivered newspapers to earn some money when I was a boy in Chicago. One cold winter day when it was snowing, three older boys knocked me down in the snow and stole the money I had collected from my newspaper customers. This bitter experience taught me to take more precautions for my safety. Actually, no one else is as deeply concerned with your protection as you are. You have everything to gain by making protection a do-it-yourself project because the only genuine protection you have in this world is self-improvement. Once you grasp the fact that bad effects are never produced by good causes, the secret of obtaining protection is yours. The good that you do will return to you like an Australian boomerang.

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***Each Experiences the Consequences of His Actions***

Cause and effect operate in the universe – what does that actually mean? It means that everything that goes wrong in my life is my own fault. It means that every complaint I have made against others is my fault. Accepting such a heavy burden of faults is not as terrible as it seems. It is really beneficial. If the faults were all caused by other people, my safety and protection would be out of my control. Since the faults are mine, I have the wonderful opportunity of practicing every virtue I can think of to increase my self-improvement. "And who is he that will harm you, if ye be followers of that which is good?" (I Peter 3:13)

The men and women who pursue the ideas of freedom enthusiastically are often hampered and frustrated by all sorts of socialistic controls. Under such conditions it is easy to develop an intense hatred toward socialists in order to "get even" with them. However, hatred is a harmful indulgence because it destroys self-improvement. Since freedom and self-improvement go hand in hand, freeing ourselves of hatred increases our freedom – we are not tied to our enemies.

Here is my homemade recipe for getting rid of hatred: Whenever someone harms us in some way and we are incapable of punishing the offender, we react to the injustice by hating the offender. Hatred is a vote of "no confidence" in Creation. The invisible forces in the universe which are capable of spinning the stars and planets through space are also capable of seeing that justice is done through cause and effect. Our help is not needed by Creation in this particular task, even though it may hurt our vanity to have our aid rejected. All that is required of us to get rid of hatred is the understanding that cause and effect are at work in every human situation – nothing is forgotten, nothing is forgiven, nothing is concealed.

If you are very skeptical and you want convincing proof that cause and effect will punish the socialistic offenders for their errors, try this experiment at your own risk. Insult the first ten people you meet today. Now that you have produced ten causes – ten angry people – make a brave attempt to escape the effects. Cause and effect always gets its man! You won't be able to escape the penalty for your misdeeds; neither will the socialists be able to escape the punishment they deserve. Your hatred will be totally unnecessary.

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CLARENCE B. CARSON

# THE FOUNDING OF THE AMERICAN REPUBLIC

# 14

## Freeing the Individual

SCRIBES are quite often merciless tyrants in dealing with characters out of the past, spearing them with an assortment of verbs and freezing them in predetermined categories with their adjectives, much as a butterfly collector does with his helpless insects. There is no surer way to shatter the integrity of an individual or to distort a historical epoch than by the indiscriminate use of categories. No man of wit is likely to believe that a category comprehends him, even when it is well chosen. But when categories drawn from other times and places are imposed upon men and events which are foreign to them, the result can only be to confuse the subject under discussion.

Some twentieth-century historians have done just this to American history of the late eighteenth century. They have called Americans of the time by names, some of which were unknown to them and others which they would have disavowed; they have categorized them as revolutionaries or reactionaries, democrats or aristocrats, nationalists or state's righters, liberals or conservatives, and other such categories. They have tried to thrust the events into

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revolutionary and "social" revolutionary categories, categories drawn from other revolutions and other circumstances. It is a journalistic habit into which many historians have fallen to attribute an absoluteness to the views and thrusts of men which violates both what they intend and do. Debates, even great historical debates, can be quite misleading. Men often advance positions with more certainty than they feel, appear to be unalterable in their determination, yet may shortly yield to the other side with good humor when they have lost. Some historians appear to have no difficulty whatever in discovering men's motives, but the fact is that we are not privy to their motives.

The subject to be treated below is the reforms and innovations made by Americans mostly in the decade after the declaring of independence. The above prelude was made necessary because the present writer both wishes to make known the fact that he is familiar with the cross currents of interpretation of these years by twentieth century historians and to disavow many of the categories that have been used. After the Americans broke from England they did make some changes; they did sometimes differ among themselves as to what the direction of change should be; but there is no need to question their motives or any solid basis for saying for certain what they were. Above all, there is no need to push this one into that category and that one into this, with the category being excessively large for the matter at issue and much too confining for the man over any period of time. More rubbish has been written about the class positions and interests of the men of these times than any other in American history, so far as I can make out. The present writer has neither the space nor inclination to spend energy upon trying to refute what has not been well established, in any case.

### *The Main Thrust of Changes*

What is established is that there were some changes made during these years. The main thrust of these changes is the freeing of the individual: freeing him from foreign domination, from various government compulsions, from class prescriptions, and for greater control of his own affairs. And, in conjunction with these, there was an effort to erect safeguards around him that would protect him in the exercise of his rights. The thrust to do these things was made along several different paths, and each of these is worth some attention.

A primary aim of the Ameri-

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cans was independence. They wanted to be independent of England, of course; that was what the war was fought about. Many Americans had come to believe that they could only have the requisite control of their affairs by separating from the mother country. This was achieved, of course, by terms of the Treaty of Paris. But Americans longed also to be independent of European entanglements. Time after time, during the colonial period, Americans had been drawn into wars that originated in Europe but spread to the New World. Americans wanted to be free of the dynastic quarrels, the imperial ambitions, and the trade wars which rended Europe and shook much of the rest of the world. To many Americans, Europe was the symbol and embodiment of corruption, decadence, and foreclosed opportunity. To be independent of Europe was, in the final analysis, to be free to follow courses which had not yet, at any rate, proven to be so laden with disaster.

Independence did not mean, nor should it be taken to connote, the rejection of either the English or European heritage. Indeed, there was little irrational rejection of either heritage that comes to mind. Though Americans rejected European aristocracy they did not, for that reason, change names of places in this country derived from aristocrats.

Perhaps, the most extensive thrust of this period was to the freeing of the individual from government compulsion. Libertarian sentiment had been maturing for some considerable while in America; it was fostered both by legal trends and religious and other intellectual development. Once the break from England came, Americans used the occasion to cut away a body of restraints no longer in accord with their outlook.

### *Religious Liberty*

Religious liberty was widely secured within a decade or so of the break from England. Much of it came by way of the disestablishment of churches. The establishment most readily dispensed with was that of the Church of England. While the Church of England was established throughout the South as well as in New York, it was not very popular; many of its clergy remained loyal to England, and adherents of it were outnumbered by dissenters in most states. Its disestablishment was made even easier because it was a national church; membership in it was tied to loyalty to the king of England. The Church of England was everywhere speedily disestablished. But these actions were not

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simply prompted by convenience, for there was increasing belief in religious liberty. Several states had no established churches: namely, New Jersey, Rhode Island, Pennsylvania, and Delaware. But they used the opportunity afforded by independence to remove or reduce restrictions. Some of the disabilities of Roman Catholics were cut away.

The established Congregational church was maintained for several decades longer in Massachusetts, Connecticut, and New Hampshire. There was, however, some liberalization in these states. The Massachusetts constitution of 1780 affirmed that every man had the right to worship in his own way, that no church should be subordinated to any other, and that tax moneys could be used to support ministers other than Congregationalists. However, church attendance was required still, and ministers were supported from taxes.[1] "New Hampshire followed in the steps of Massachusetts, but Connecticut held out much longer against what its citizens regarded as the forces of iniquity. They allowed dissenters to escape payment of taxes to the established church if they presented the clerk of the local church with a certificate of church attendance signed by an officer of the dissenter's own church."[2]

The constitutions of New Jersey, Georgia, North and South Carolina, Delaware, and Pennsylvania "explicitly provided that no man should be obliged to pay any church rate or attend any religious service save according to his own free and unhampered will."[3] But Virginia made the greatest effort to assure religious liberty. This might have been a reaction to the fact that Virginia had the longest establishment and one of the most rigorous. Thomas Jefferson, James Madison, and George Mason were leading advocates of religious liberty, but they did not succeed in getting their ideas into law until 1786. This was done by the Virginia Statute of Religious Freedom, which proclaimed religious liberty a natural right. An impressive preface states the case:

> Whereas, Almighty God hath created the mind free; that all attempts to influence it by temporal punishments or burthens, or by civil incapacitations, tend only to beget habits of hyprocrisy and meanness, and are a departure from the plan of the Holy author of our religion. . . .

The legally effective portion of the statute reads this way:

> That no man shall be compelled to frequent or support any religious worship, place, or ministry whatsoever, nor shall be enforced, restrained, molested, or burthened in his body or

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goods, nor shall otherwise suffer on account of his religious opinions or beliefs; but that all men shall be free to profess, and by argument to maintain, their opinion in matters of religion, and that the same shall in no wise diminish, enlarge, or affect their civil capacities.[4]

This was the beginning of religious liberty in America.

### *Freeing the Slaves*

The movement for freeing the slaves reached a peak in the 1780's which it would not soon attain again. Even before the break from England, the slave trade was acquiring a bad reputation in America, but such efforts as were made to restrict it were negated by the mother country. Fiske says, "The success of the American Revolution made it possible for the different states to take measures for the gradual abolition of slavery and the immediate abolition of the foreign slave-trade."[5] Nor was sentiment against slavery restricted to states in which there were few slaves. Some of the outstanding leaders from the South during this period, most of them slaveholders, spoke out against slavery. Henry Laurens, a leader in South Carolina, wrote in 1776: "You know my Dear Sir. I abhor slavery . . . — in former days there was no combatting the prejudices of Men supported by Interest, the day I hope is approaching when from principles of gratitude as well [as] justice every Man will strive to be foremost in shewing his readiness to comply with the Golden Rule. . . ."[6] Thomas Jefferson argued in his *Notes on the State of Virginia* that slavery had a bad influence on the manners and morals of the white people as well as its devastating effects on the Negroes. He longed for and hoped to see the day when all slaves would be emancipated. He warned his countrymen of the impending impact on them if this were not done: "And can the liberties of a nation be thought secure when we have removed their only firm basis, a conviction in the minds of the people that these liberties are the gift of God? That they are not to be violated but with his wrath? Indeed I tremble for my country," he said, "when I reflect that God is just; that his justice cannot sleep forever. . . ."[7]

Some states began to act almost as soon as the opportunity arose. In 1776, Delaware prohibited the importation of slaves and removed all restraints on their manumission. Virginia stopped slave imports in 1778; Maryland adopted a similar measure in 1783. Both states now allowed manumission at the behest of the owner. In 1780, Pennsylvania not only prohibited further importation of

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slaves but also provided that after that date all children born of slaves should be free. Similar enactments were made in the early 1780's in New Hampshire, Connecticut, and Rhode Island. In Massachusetts, the supreme court decided that on the basis of the constitution of 1780 slavery was abolished in that province. Even North Carolina moved to discourage the slave trade in 1786 by taxing heavily such slaves as were imported after that time. In order to protect free Negroes, Virginia made it a crime punishable by death for anyone found guilty of selling a freed Negro into slavery.[8]

How far sentiment against slavery had gone may well be best indicated by the Northwest Ordinance (1787), an act of all the states, as it were, in Congress assembled. The act provided: "There shall be neither slavery nor involuntary servitude in the said territory, otherwise than in the punishment of crimes, whereof the party shall have been duly convicted. . . ." This article was passed, according to one of its proponents, without opposition.[9]

### *Individual Liberties*

The bills of rights drawn and adopted in the various states contained provisions intended to assure individual liberties. These bills of rights were usually drawn and adopted along with constitutions but were frequently separate documents. They were usually cast in the language of natural rights theory. For example, Article I of the Massachusetts Declaration of Rights states:

> All men are born free and equal, and have certain natural, essential, and unalienable rights; among which may be reckoned the right of enjoying and defending their lives and liberties; that of acquiring, possessing, and protecting property; in fine, that of seeking and obtaining their safety and happiness.[10]

Virginia was the first state to draw both a constitution and a bill of rights. Actually, Virginia's Bill of Rights was adopted June 12, 1776, while the would-be state was still a colony. It was the work primarily of George Mason, was circulated among the states, and became a model for such instruments.

The Virginia Bill of Rights guaranteed trial by jury in both criminal and civil cases, prohibited excessive bail and fines, declared general warrants to be oppressive, and acknowledged freedom of the press. The protections of a person accused of a crime were spelled out:

> That in all capital or criminal prosecutions a man hath a right to demand the cause and nature of his accusation, to be confronted with the

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accusers and witnesses, to call for evidence in his favour, and to a speedy trial by an impartial jury of his vicinage, without whose unanimous consent he cannot be found guilty, nor can he be compelled to give evidence against himself; that no man may be deprived of his liberty, except by the law of the land or the judgment of his peers.

The only specific protection of property, other than the provision for jury trial in civil cases, was the requirement that men "cannot be taxed or deprived of their property for publick uses, without their own consent, or that of their representatives so elected. . . ."[11]

The Massachusetts Declaration of Rights of 1780, the work mainly of John Adams, was considerably more thorough. In regard to property, it said: "No part of the property of any individual can, with justice, be taken from him, or applied to public uses, without his consent, or that of the representative body of the people. . . . And whenever the public exigencies require that the property of any individual should be appropriated to public uses, he shall receive a reasonable compensation therefor."[12] Other rights were alluded to than those mentioned in the Virginia Bill: freedom from unreasonable searches, the right to bear arms, the right of peaceful assembly, the prohibition of ex post facto laws, the prohibition of attainders by the legislature, as well as most of those covered in Virginia.

### *Northwest Ordinance*

The Northwest Ordinance sums up, in Article II, what may well be considered a contemporary consensus of the protections of the rights of the people most needed:

> The inhabitants of the said territory shall always be entitled to the benefits of the writs of *habeas corpus*, and of the trial by jury; of a proportionate representation of the people in the legislature, and judicial proceedings according to the course of the common law. All persons shall be bailable, unless for capital offences, where the proof shall be evident, or the presumption great. All fines shall be moderate; and no cruel or unsual punishment shall be inflicted. No man shall be deprived of his liberty or property, but by the judgment of his peers, or the law of the land, and should the public exigencies make it necessary, for the common preservation, to take any person's property, or to demand his particular services, full compensation shall be made for the same. And, in the just preservation of rights and property, it is understood and declared, that no law ought ever to be made to have force in the said territory, that shall in any manner whatever, interfere or affect private contracts, or engagements, *bona fide*, and without fraud previously formed.[13]

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Some recent writers have claimed that the Founders distinguished between "human rights" and property rights in favor of "human rights." It should be clear from the above that no such distinction can be discerned, nor has the present writer ever seen a quotation from the original that could reasonably be construed to show that the Founders made any such distinction.

Property was, however, freed from various feudal restraints during this period and made more fully the possession of the individual holding title to it. The most general encumbrance on property ownership was the quitrent – a periodical payment due to king or proprietor on land, a payment that originated in the late Middle Ages as money payments displaced personal servitude. Such claims were speedily extinguished following the break from England, and land thereafter was held in "fee simple." Such royal prerogatives as the right of the monarch to white pines on private land were, of course, nullified. States abolished entail, also, a move which enhanced the authority of the owner to dispose of his lands.

With the Declaration of Independence, the whole edifice of mercantilism as imposed from England was swept away. One historian describes the impact of this as follows: "As a result of the American Revolution, freedom of enterprise, that is, the equal opportunity of any individual to engage in any economic activity he chooses in order to amass wealth, and to hold onto his wealth or dispose of it as he pleases, became a living reality in America to a greater degree than before."[14]

### *Abolition of Classes*

Another sort of innovation may be described as anti-class in its character. Fixed classes are supported and maintained by government where they exist. Americans of this period wanted to remove government support of classes and prevent the growth of special privileges by which classes are shaped. Some of the actions already described were, in part, anti-class measures. For example, the established Church of England was hierarchical and, in England particularly, a major support of class arrangements. Its disestablishment in America struck at the root of government support of class structures. Entailment was a means of perpetuating great estates, just as quitrents were devices for maintaining aristocracies. Other actions were taken that were even more pointedly aimed at removing government from its role as class perpetuator.

One of these was the abolition

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of primogeniture. Primogeniture was the rule that the estate of one who died without a will should go either whole or in larger part to the eldest son. States abolished this rule and adopted the practice of dividing the estate equally among the children when the father died intestate. The tendency of this was for great estates to be broken up from time to time.

Various sorts of provisions were made in state constitutions to prevent the growth of aristocratic privileges. For example, the Virginia Bill of Rights had this provision:

> That no man or set or men, are entitled to exclusive or separate emoluments or privileges from the community, but in consideration of publick services; which, not being descendible, neither ought the offices of magistrate, legislator or judge to be hereditary.[15]

The Massachusetts Declaration held:

> No man, nor corporation, or association of men, have any other title to obtain advantages, or particular and exclusive privileges, distinct from those of the community, than what arises from the consideration of services rendered to the public; and this title being in nature neither hereditary, nor transmissible to children, or descendants, or relations by blood; the idea of a man born a magistrate, lawgiver, or judge, is absurd and unnatural.[16]

The animus against titles of nobility found expression sometimes. So strong was the animus against hereditary positions that the Society of Cincinnati, a voluntary association of officers who had served in the War for Independence, found it expedient to abandon the rule that membership could be inherited to allay the indignation against them. Frequent elections and restrictions on the amount of time one could serve in office were efforts to prevent the emergence of a ruling class, at least in part.

The kind of equality sought by prohibitions against governmentally fostered classes was equality before the law. So far as any other equality was concerned, American opinion of the time accepted differences in wealth and social station as inevitable and desirable results of differences in ability and effort. Undoubtedly, there were those in that day who would have liked to have some portions of the wealth and estates of others – who coveted what was not theirs – as there are in any day, but they were either inarticulate or ashamed to profess their views. Some historians have made much ado about the confiscation and sale of Loyalist estates during the war. This is treated as if it were a redistributionist scheme, and there is an attempt to give factual support to this notion by

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pointing out that large estates were sometimes broken up before they were offered for sale. This did sometimes happen, but it does not follow that it was done with any motive of equalizing holdings. Small parcels attract more bidders than large ones; hence, the price attained for large estates was likely to be increased by dividing them up. Moreover, large estates were sometimes formed or added to by buying several parcels.[17]

***Limitations on Government***

There were some general changes in governments during this period, changes in degree from what they had been under British rule. The main tendency was to make the state governments more dependent upon the popular will than they had been during the colonial period. The new state constitutions required that all state officers either be chosen by the electorate or appointed by those who had.

The main impetus behind making governments depend more closely on the electorate was a profound fear of government. This distrust of government was most clearly shown in the distrust of governors and courts, those parts of the government that had not been popularly chosen during the colonial period. The colonists feared the legislatures, too, or so the limitations on them would indicate, but out of their colonial experience, they feared them less than the other branches. In point of fact, Americans relied rather heavily on a narrow and provincial colonial experience in making their first constitutions. Probably, Massachusetts and New York should be excepted from these strictures.

The office of governor – or whatever the executive might be called, for some states abandoned briefly that colonial title – was stripped of much of the power and most of the independence enjoyed by colonial chief executives. Colonial governors had usually possessed an absolute veto over legislation. The new executives were stripped of the veto power in all but two of the states – Massachusetts and New York –, and in these the power was somewhat weakened. In all the states but New York the legislatures or the constitutions governed the assembling and dispersal of the legislative branch. In eight of the states, the chief executive was elected by the legislature, and he was made, thereby, greatly dependent upon it. His tenure of office was usually quite brief. In nine states, it was only twelve months, and nowhere was it for a longer period than three years. To prevent the growth of personal power in the hands of

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the governor, most state constitutions limited the number of terms he could serve in a given period.[18]

### *Courts and Legislatures*

The courts generally were made more dependent on legislatures than they had been formerly. The Pennsylvania constitution described the relationship this way: "The judges of the supreme court of judicature shall have fixed salaries, be commissioned for seven years only, though capable of reappointment at the end of that term, but removable for misbehavior at any time by the general assembly. . . ."[19] Even so, the principle of separation of powers generally prevailed as between the courts and the legislature more fully than between governors and legislatures.

The legislatures were subject to frequent elections, a device for making them closely dependent upon the electorate. In ten of the states the lower house was subject to annual elections; in two states their terms were only for six months. The members of the upper house usually had somewhat longer terms, but one state did not even have an upper house.[20] Even so, the powers of the legislatures were quite extensive. Thomas Jefferson complained that in Virginia:

> All the powers of government, legislative, executive, and judiciary, result to the legislative body. . . . An *elective despotism* was not the government we fought for, but one which should not only be founded on free principles, but in which the powers of government should be so divided and balanced among several bodies of magistracy, as that no one could transcend their legal limits, without being effectually checked and restrained by the others.[21]

What had been generally done was this: Americans in establishing their state governments had sought to check them by the electorate rather more than by an internal balance of powers. The people could, however, use their influence to abet arbitrary government as well as to check it.

There was also some extension of the franchise during this period. In addition, several legislatures were reapportioned to give inhabitants in the backcountry a more nearly proportionate voice in government. One of the trends, in this connection, was the movement of state capitals inland from the coast to make them more accessible to the back country.

Most of these were changes of degree rather than of kind. To call them revolutionary, as some twentieth century historians have, is a distortion of what happened and a stretching of the meaning

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of revolution beyond reasonable confines. Insofar as they were changes from what had prevailed, they were culminations of trends long afoot. Americans had been tending toward religious liberty in practice long before they established it in fundamental law. They had been evading, so far as they could, quitrents, primogeniture, and entail. Their new governmental structures embodied much of what they had been contending with the British for. Bills of rights, bicameral legislatures, and weak executives, were built on the British model. The assault on special privilege did run contrary to recent British practice to some extent, but it was quite in accord with what Americans had been doing almost since they had reached the New World. If in their early enthusiasms in government building they did not attend to a broader experience than their colonial one, this did not make their acts revolutionary, only precipitate. They were clear enough that they wanted to protect the individual from government in the enjoyment of his rights; they did not at first realize how much more this took than felicitously phrased declarations. Weak governments do not make liberty and property secure; that is the office of powerful governments internally restrained. Many Americans were to learn this lesson, and that rather quickly. But just as their first experiments were not revolutionary in character, no more were their later alterations a counter-revolution.

*Next: The Critical Period.*

## • FOOTNOTES •

1 See Merrill Jensen, *The New Nation* (New York: Vintage Books, 1950), p. 132.
2 *Ibid.*, p. 133.
3 John Fiske, *The Critical Period of American History* (Boston: Houghton Mifflin, 1916), p. 78.
4 Jack P. Greene, ed., *Colonies to Nation* (New York: McGraw-Hill, 1967), pp. 390-91.
5 Fiske, *op. cit.*, p. 71
6 Greene, *op. cit.*, p. 397.
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8 See Fiske, *op. cit.*, pp. 74-75.
9 See Robert A. Rutland, *The Birth of the Bill of Rights* (New York: Collier, 1962), p. 109.
10 Henry S. Commager, ed., *Documents of American History*, I (New York: Appleton-Century-Crofts, 1962, 7th ed), 107.
11 *Ibid.*, p. 104.
12 *Ibid.*, p. 108.
13 Greene, *op. cit.*, pp. 472-73.
14 Dumas Malone and Basil Rauch, *Empire for Liberty*, I (New York: Appleton-Century-Crofts, 1960), 196.
15 Commager, *op. cit.*, p. 103.
16 *Ibid.*, p. 108.
17 See Frederick B. Tolles, "A Reevaluation of the Revolution as a Social Movement," George A. Billias, ed., *The American Revolution* (New York: Holt, Rinehart and Winston, 1970, 2nd ed.), pp. 66-67.
18 See Richard Hofstadter, *et. al.*, *The United States* (Englewood Cliffs, N. J.: Prentice Hall, 1967, 2nd ed.), p. 160.
19 Greene, *op. cit.*, p. 343.
20 Hofstadter, *op. cit.*, pp. 159-60.
21 Quoted in Nelson M. Blake, *A History of American Life and Thought* (New York: McGraw-Hill, 1963), p. 100.

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# The Productivity of Freedom

C. LOWELL HARRISS

FREEDOM is more than an *end*, something which in itself is of incalculable value. Freedom is also a *means* for achieving other ends. Among the objectives which freedom helps man achieve are those of his economic life.

But what, really, does the term "freedom" mean in relation to economics? How does it relate to the productivity of an economy? Both questions are difficult. Neither of them am I able to answer to my own full satisfaction. Few of the many aspects are black or white. Gray areas exist. The problems are complex. The values involved are not always in harmony.

The lack of certainty does more than compel caution in presenting conclusions. The existence of doubt also leads to failure to recognize points which, it seems to me, should be more nearly clear than debatable. My university students seem rarely to appreciate the significance of some major elements. And who has not heard, many times and from many sources, statements to the effect that the world's poor, "emerging" countries cannot afford freedom because of their desire to speed economic development? Economic freedom, however, can make an incomparable contribution to good economic performance.

### *Freedom — The Concept*

Freedom implies the absence of restraint. Yet we also think of it as the existence of opportunities — the more numerous the alternatives available, the greater our freedom. As related to economic affairs, freedom often seems to mean less, rather than more, restriction imposed through the political process, i.e., by government. Who will deny the validity and the pertinence of this interpretation? Denial may come from the person who has been blessed by the op-

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portunity to live where governmental restrictions bother him little – or by the man who has become desensitized (or never had a chance to develop feelings for economic freedom).

Freedom in the fullest sense, however, covers more than the absence of governmental restriction. The freedom that counts economically – and humanely – includes the absence of privately created restrictions whose origin is not in some *quid pro quo*.[1] The massing of economic power in various parts of an economy with generally "free" markets can restrict the freedom of persons not exercising the power.

Freedom in economic, as well as in personal, life requires government and the restraints it imposes. The preservation of order and the enjoyment of personal rights cannot exist without curbs on action, curbs which limit opportunity but which operate under law. Organized economic life needs "rules of the game," a framework within which activity can be carried on with assurance about rights and obligations.

A binding legal obligation – to live up to the terms of an agreement – in one sense limits freedom. In a broader sense, however, a body of law which compels men to respect their obligations is a source of freedom and opportunity. The legal system makes possible the contracts and arrangements which are indispensable for specialization and capital accumulation. The essentials of advanced economic life require the governmental imposition, and enforcement, of law.

Government acts in another way to create, while also restraining, economic freedom. Government can use the power of coercion to prevent undesirable "neighborhood" or "third-party" effects. Restrictions against the pollution of air and rivers or inappropriate uses of land provide example. Personal and business activity need to be controlled to reduce adverse effects on persons who are not parties to the transactions. In short, "social costs" of private activity must not be ignored in society's

[1] By *quid pro quo* restrictions, I mean those which result from inability or unwillingness to meet the terms demanded by others in a generally competitive market: A's failure to get a new auto because he was unable to meet the seller's terms or B's failure to get the better job because he was unwilling to study at night. These must be distinguished from privately erected obstacles to entry by persons who have the qualifications into a line of business or occupation. Private (nongovernmental) restriction on freedom may be illustrated: (a) the existence of producing units so large that potential newcomers face hurdles which are at times insurmountable; (b) wage agreements that effectively exclude from jobs those persons whose productivity makes them worth less than the wage set.

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economic calculations if we are to get best overall results. Curbs on some freedoms are necessary to assure the existence of others.

Yet the government which restrains (participates or intervenes – different terms carry different connotations) to make liberty possible also restricts freedom. In surveying the broad scope of government restraint in modern economic life, one sees many "gray areas." Their frequency and extent, however, ought not to get predominant attention. The central issues deserve attention and most need to be understood. What is the relation of freedom to the essential tasks of an economic system?

### *What Goods and Services Shall be Produced?*

An economic system exists to produce goods and services for consumers – today and in the future.[2] But not just anything, not great masses of this and nothing of that.

The objective is to produce a vast *array* of goods and services in the *proportions* which will best satisfy human wishes. The optimum combination can be produced only if the public can, and does, reveal personal desires in all their myriad nuances. What methods of showing desires are available? One method consists of our buying as individuals and as private groups – voting in the market place with our money. We can also reveal desires in buying collectively through government. The processes of individual and collective buying differ – and so must the quality of the results. Three differences warrant comment.

1. When buying in the market, individuals may not always do what they really prefer, or would prefer if they had more facts, including those which will come with experience.[3] Mistakes are legion. Yet the person who makes an erroneous consumption choice will also bear the burden. The effect on incentives will be direct and unrelenting. When we buy collectively through government, however, a considerable minority – perhaps even a majority – will ordinarily have preferred some other arrangement. They would rather have more of this, less of

[2] The nature and conditions of work are no less important than many of the rewards we call consumption. Both positive and negative values lie in work, activity, in the job itself. Here, too, freedom plays a role of paramount significance. The more numerous the opportunities to select among alternatives, the greater the likelihood that one can settle on the best combination of job conditions among those available and also induce the type change which makes for better jobs.

[3] As consumer goods get more complex, the need for information increases.

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that, a different mix of "public" and private goods and services. The direct and indirect expression of preferences through the process of voting in political elections will leave some of the public getting less satisfaction of its wants than the dollars spent would permit. Compulsion on minorities, therefore, sacrifices human satisfactions which would be met under a regime of freedom – except for such *truly collective* wants as national defense and internal policing.[4]

2. In getting produced those things which are most likely to satisfy human wants, the freedom of the market possesses two other inherent advantages over the political, that is, the governmental, process. (a) Governmental decisions are discontinuous. They are made at infrequent intervals. Once made, they often commit spending for months or years, and in amounts which are subject to little change. Much private spending, in contrast, shifts constantly. In the market place we can vote with every dollar on a list of candidates which is long indeed. Alternatives shift from day to day. Prices and qualities are kept on the move. New opportunities appear. Consumer reaction to them induces changes with a flexibility rarely possible in government purchasing. (b) Governmental spending decisions are made through intermediaries, not by the ultimate user, the citizen being served. Elected officials, the civil service, and the military place the orders. The public served remains somewhat removed from the choices.

3. New products and new types of services are most likely to appear in an environment of freedom. Buyer reactions then indicate how much of each shall be produced. For many good reasons, government spending patterns tend to be largely stable. Of course, innovation does occur in government, while private monopoly can restrict innovation in the world of business.[5]

Yet even private monopolies may act progressively. And most of the world of business is freer and more competitive than government.

[4] More typically, the family rather than the individual is the unit involved. There are, for example, things I as an individual want rather more than higher prices of food, putting a man on the moon soon, or subsidizing the development of new agricultural land. Yet some of the taxes I pay to the national government go for these purposes.

[5] Obstacles to innovation in business are not limited to monopoly in any strict sense of the term. Lethargy, ignorance, lack of capital, and red tape inside a company are among factors limiting innovation.

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***How to Produce***

Most goods can be produced, and most desires for services satisfied, in more than one way. Some methods are better than others. The general welfare objective is to use the minimum of inputs per unit of output. The closer the economy comes to this objective, the greater the total output obtainable from the productive resources available.

In the business world, the hope for profit and the fear of loss act powerfully to compel economizing in production. Freedom provides opportunity – and more. One producer's aggressiveness in cost cutting is another's challenge or threat. Governments, however, do not need to meet cost demands in the same sense as do businesses. If the taxpayer can be compelled to pay the bills (including losses in commercial-type activities), what are the inducements to economizing? They exist, but making them powerful and effective requires exceptional imagination, effort, and freedom within government.

Efficiency demands smaller rather than greater use of inputs per unit of output. To take advantage of opportunities, to adjust to the unending (and also uneven) change (a) of the prices of inputs and (b) of technological possibilities, a producer must be free. He must also be under pressure to do what seems best. Production possibilities differ widely from time to time, from place to place. Any single pattern, no matter how well adapted to some situations, will be unsuited to others, and definitely bad for some. Freedom permits the public to benefit from such variety.

Where producers are free to seek better methods – and even more certainly where producers are under the pressure of competition to reduce costs – the public stands to benefit. Government agencies cannot be expected to improve efficiency to the extent that, and as promptly as, permitted by changes in technology and changes in the prices of inputs. Nor does governmental regulation appear promising as an "encourager" of cost reduction. The governmental agency, whether as an operating entity or one regulating private businesses, faces more than one disadvantage as a promoter of production efficiency. So does the business firm or the labor union which is somewhat insulated from the free competition of others. Not the only examples in America are to be found in the makework policies of labor unions and obsolete local laws affecting new construction.

As producers, many of us may nurse a sneaking sympathy for restraints which impede the growth of productivity if they seem to

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create demand for our labor or what we have to sell. Nevertheless, the result in any "not-so-long" period will be some failure to improve the relation of output to input. Society suffers. To repeat, protection from the forces of freedom will result in greater use of productive resources per unit of output.

### Who Gets What?

For the economy as a whole, there can be no Santa Claus, no "free lunch." Society must pay for what it gets. The payments thus made are the incomes of the recipients. Most of us are on both sides – paying and receiving. On one side, we want the amount to be large; on the other side, we want it to be small. Each of us presumably tries to do the best he can, to make the best settlement possible with what he has, in getting income and then in using it.

The greater our freedom to make the best bargains, the better in general will be the results. No one wants to pay others more than their services are worth, and freedom to reject demands for overpayment reduces the likelihood that we shall be forced to do so. In turn, the broader our range of freedom, the larger our opportunities to get the most that our services are worth to others.

In contrast, restrictions on freedom – whether imposed by government, the possessors of private power, or one's own commitments made earlier – will make the terms for some of our bargains less satisfactory than is potentially possible.

As a result of such compulsion, we shall pay more than is inherently necessary for what we get – and get less than our services are worth.

The distribution of income which results from complete freedom would be less than ideal, judging by the standards to which most of us hold. The person with no productive capacity might be left out in the cold because private philanthropy – a not insignificant feature of free society in America – might not fill all humanely distressing gaps. Long ago government came to use funds collected in taxes to meet some needs of persons whose income from production seemed inadequate. Who among us does not endorse such policy?

### Transfer Payments Modify Income Distribution

Modern society goes farther. Transfer payments (such as social insurance and aid to farmers) modify income distribution. The results differ from those of the free market. Taxes also redistrib-

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ute income and wealth. The general results may, or may not, suit us better than those from freedom.

Nevertheless, in three important respects the consequences of freedom have no small economic merit. 1) The kinds of services desired are most likely to be forthcoming if demanders and suppliers are free to make the best deals possible. 2) Efficiency in utilization will be encouraged. The employer will not use labor being paid $4 an hour on jobs worth $3 an hour. Men capable of producing enough to justify $4 an hour will rarely spend their time on jobs worth $3 an hour. The desire for income leads free men to "allocate" themselves toward the work where the rewards are highest because worker productivity is highest. 3) Men seeking work will not be denied jobs because someone else sets conditions — sex, color, age, or creed — which are not pertinent to the task. Nor will a man be denied work because his productivity does not come up to the lowest level of wage rate permitted by law, union-management agreement, or custom.

Economic progress requires that things be done differently. What could be more obvious than that innovation, change, the striking out in new directions, all depend upon freedom? Bureaucracy — in government, in large businesses or labor unions, perhaps even in universities, religious organizations, and private foundations — provides stability without which progress is impossible. Yet bureaucracy and the slow decision processes of legislatures get in the way of the change which makes up the very essence of economic progress. Perhaps the greatest contribution of freedom to economic productivity lies in the fruits of progress.

### *Concluding Comment*

Reality cannot compete with dreams, at least not "fairly." How easy to romanticize, perhaps about free enterprise, perhaps about possibilities of improving the world by some governmental policy which will restrict the freedom of others: Mr. Dooley made a good point when he said, "A man that'd expect to train lobsters to fly in a year is called a lunatic; but a man that thinks men can be turned into angels by an election is called a reformer and remains at large."

Government will inevitably influence economic affairs extensively. One element of the essential intervention will deal with private market power. Another will involve efforts to meet the problems of particular "soft spots" — individuals, groups, areas — in exceptional need. Let's hope that the results will be constructive. Yet is it not a bit sobering to look at

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almost the *oldest* example of governmental intervention in the United States – regulation of railroads – and that which today gets the *most financial outlay* – agriculture? The results are less than brilliant, scarcely models for the "good society." One reason for the lack of success in these cases is that governmental activity has imposed restrictions on freedom rather than enlisting freedom – in combination with those things which government has to offer.

One advantage of prosperity is that it frees us from the need to worry about small economic problems. Many details of government spending are just that, small and unimportant. But many are not. The quality of the decisions must influence profoundly the quality of society. In the words of one of history's greatest economists, Alfred Marshall:

> Government is the most precious of human possessions; and no care can be too great to be spent on enabling it to do its work in the best way: a chief condition to that end is that it should not be set to work for which it is not specially qualified, under the conditions of time and place.

*Reprints available, 10¢ each*

IDEAS ON LIBERTY

### *Supporters of Schemes*

THE HARD-WORKED and over-burdened who form the great majority, and still more the incapables perpetually helped who are ever led to look for more help, are ready supporters of schemes which promise them this or the other benefit by State-agency, and ready believers of those who tell them that such benefits can be given, and ought to be given. They listen with eager faith to all builders of political air-castles, from Oxford graduates down to Irish irreconcilables; and every additional tax-supported appliance for their welfare raises hopes of further ones. Indeed the more numerous public instrumentalities become, the more is there generated in citizens the notion that everything is to be done for them, and nothing by them. Each generation is made less familiar with the attainment of desired ends by individual actions or private combinations, and more familiar with the attainment of them by governmental agencies; until, eventually, governmental agencies come to be thought of as the only available agencies.

HERBERT SPENCER, *The Man Versus The State*, 1884

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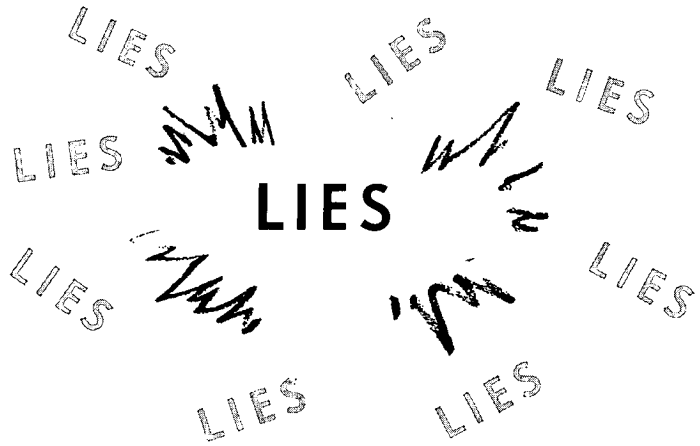


As Arnold Beichman, the author of *Nine Lies About America* (Library Press, $7.95), puts it, the theme of his trenchant book is "not the 'greening' but rather the lynching of America."

The lynch mobs Mr. Beichman is after include learned Ph.D.s as well as hippies, experienced New York editors and journalists as well as campus revolutionaries. The lies that this heterogeneous group tells about America are by no means limited to nine, but, after all, if the author had done more than hit the high spots his book would have gone on forever. So, in dealing with what Tom Wolfe specifies in a foreword as "the modern intellectual's retrograde habits of mind," Mr. Beichman picks out the type of egregious mendacity that would have come under the heading of the late Paul Joseph Goebbels's "big lie."

Goebbels, a Heidelberg Ph.D. before he became Hitler's minister of propaganda and public enlightenment, had enough intelligence to know that he was dealing in evil put-ons, which is a left-handed compliment that we need not extend to some of the "intellectuals" placed on exhibition by Mr. Beichman. Many of them know not what they do. But it is the effect of the "big lie" that is important, not the motivating intent.

Constant repetition of Goebbelsian stuff has people believing (1)



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that America is a Fascist country, (2) that America means genocide, (3) that "the Bomber Left is a moral force," (4) that the American worker is a "honky," (5) that our political system is a fraud, (6) that our values are materialistic, (7) that America – usually spelled Amerika – is insane, (8) that the American people are "guilty," and (9) that what our country needs is "a violent revolution." Of course, the average Dayton, Ohio, housewife who is the unassuming heroine of Richard Scammons's and Ben Wattenberg's *The Real Majority* wouldn't believe even the least of the nine big lies, nor would her machinist husband. But the so-called intellectual betters of the Dayton housewife swallow the Goebbelsian bait whole, which is one good reason for withholding Federal assistance from our institutions of higher learning. Why, indeed, should the taxpayers be called upon to subsidize the lynchers?

### Attention-Getters

Speaking of the intellectuals who justify bombing and arson as necessary attention-getters, Mr. Beichman calls it a "terrifying logic" as "we move from the old literary explosions of small intellectual coteries to the infatuation of a new young avant-garde with the power that comes out of the barrel of a gun." Mr. Beichman says it is "small wonder" that a weary European visitor was moved "to make the bitter joke, 'When I hear the word gun, I reach for my culture.' " But culture, in this era of the "counter-culture," is a weak shield. Editors who should be defending our cultural heritage sell out merely to be "with it." Anything and anyone can make the cover of our mass magazines. It's women's lib (the female chauvinistic kind) one week, gay lib the next, and Yippie Jerry Rubin or Abbie Hoffman the week after.

"Ideas," says Mr. Beichman, "no longer 'trickle down' over a period of time." Instead, they are gobbled up uncritically by publishers who, "obeying some editorial tropism," accord the craziest notion "the most respectful hearing with color photographs as well." Says Mr. Beichman, our "literary avant-gardists in America are in permanent danger of being overrun by their own eager middle-class followers."

### Raceless Genocide

The lies, however, remain lies. How can you call America a Fascist country when anyone in it can say anything, no matter how outrageous? How can our defense of the right of individuals

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in South Vietnam to live without being overrun by their neighbors to the north be called "genocide"? After all, the South Vietnamese and the North Vietnamese are Orientals together, and our partiality for the Orientals who prefer liberty to slavery has nothing whatsoever to do with race. The distinction is moral and intellectual.

The stories of police "genocide" against the Black Panthers were repeated uncritically in our best newspapers. But when one inquiring reporter, Edward Epstein of the *New Yorker,* tracked the lurid tales of "twenty-eight murdered Black Panthers" down, the number shriveled to six incidents in which Panthers were killed by police, and in four of these incidents fourteen police were shot or killed by the Panthers.

### *Ends and Means*

Did this constitute a "national scheme . . . to destroy the Panthers"? Or was the Panthers' lawyer Charles Garry, who first floated the twenty-eight figure, guilty of indulging in a "numbers game" entirely comparable to Senator Joe McCarthy's waving of a "list of Communists in the State Department" that came to 146 or thereabouts and was never substantiated?

To say, with the Bomber Left, that violence is necessary to make ideological and political points is to say that the end justifies the means. Some professors (Cornell and Harvard have had their troubles with them) have made excuses for this notion, but it is hardly a universal axiom even among pragmatists. Mr. Beichman quotes a covey of academics who rationalize the work of the bombers by indulging in "fogbanks of nauseating verbiage" that abound in such phrases as "America has spawned the radicalism it deserves." The "kids" are absolved because the "System" is "bad." But our Bomber Left violence has lacked "the important ingredient of modern revolution — an apparat." Mr. Beichman says the "days of rage" of the New Left are little more than Blanquist putschism, the *crise de nerfs* of "gesture children." The "gesture children" get the headlines, but they are not America.

If our political system is a "fraud," how does it happen that a Lyndon Johnson, when President, can lose control of his party machinery? How can a Nixon come back after two disastrous defeats? How can a McGovern, moving up from nowhere, suddenly win ten primaries? For better or worse, our party "system" certainly accommodates change. As for our "materialistic" values, Mr. Beich-

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man quotes Alfred North Whitehead on Prometheus, who "did not bring to mankind freedom of the press. He procured fire, which obediently to human purposes cooks and gives warmth. In fact freedom of action is a primary human need."

### *Not Peculiarly American*

The final triad of "lies" – that America is "insane," "guilty" and in need of "violent revolution" – is too surrealistic to demand much refutation. It was one man, not a multitude, that pulled the trigger on John Kennedy, and it was the one man, not the city of Dallas, that was mad. And, looking at Soviet Russia, Red China, Cuba and North Vietnam, what does violent revolution get you? Compared to the new tyrants, the Kaiser and Czar were liberals, as Max Nomad once pointed out. The "honky" American worker may not have traveled, but he knows with Mr. Beichman that "racism, tribalism, communalism, religious hate" are less troublesome in Michigan towns than they are in "India, Pakistan, Nigeria, Sudan, Japan, Ceylon . . . the Soviet Union and China," all of which have repressed minorities.

What distinguishes America, says Mr. Beichman in summing up, is that "Americans happen to be ashamed of their prejudices, while almost everybody else is busy explaining the rationale of racial and religious discrimination, and why it is impossible to end them overnight." The very fact that we are an apologetic people proves that we are not fascists, not genocides, not honkies, not insane. More than others, we are still seekers, looking for a perfection that nobody will ever find.

▸ HAZARDOUS TO YOUR HEALTH by Marvin H. Edwards (New Rochelle, N. Y.: Arlington House, 1972, 318 pp., $9.95)

*Reviewer: Allan C. Brownfeld*

AMERICANS present a curious spectacle to the world: Citizens of the freest and most prosperous nation on earth engage in ritual handwringing over the alleged "crises" they find everywhere in their society. Nothing is right, and of the things that are wrong none has come under sharper attack lately than the private practice of medicine.

The near unanimity within the body politic about the existence of

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a health-care "crisis" is frightening. President Nixon has proclaimed it, and the only point at issue in the present debate is "which plan" should be enacted to alleviate it. A presidential candidate has proposed a total socialization plan, and even the American Medical Association has a plan in which doctors receive government money but avoid government controls. The sickness of American medicine is the common assumption.

The hollowness of this assumption is demonstrated in *Hazardous To Your Health,* a thoughtful and complete analysis of the charges leveled against American medicine. The author, Marvin H. Edwards, editor of *Private Practice* magazine, concludes that, "There is no medical crisis in the United States, but there may be one soon. Experience with government health programs in this country and elsewhere makes it ominously clear that a national health insurance program may well result in a severe doctor shortage, overcrowding of hospitals and physicians' offices, long waiting lists for hospital care, inadequate facilities, loss of privacy, Federal bankruptcy, and, eventually perhaps, discussion in this nation of the need for mercy killings of the aged to reduce the unbearable costs of government medicine."

Mr. Edwards notes that medical care is far more costly under a nationalized system than under private auspices. If the experiences of European countries are indicative, people tend to overuse and overcrowd existing medical facilities because they seem free. Germany has more hospital beds per number of inhabitants than the United States, but all hospitals are overcrowded throughout the year. The average hospital stay is twenty-four days, compared to six to eight days in America. Part of the reason is that there is a lack of interest by the patient in regaining health as soon as possible, and doctors have no concrete feeling for the costs that could be avoided if the hospital stay were shortened. In addition, the cost of the bureaucratic administrative machinery that accompanies every national health insurance system is staggering. The Swedish citizen, for example, pays twenty per cent of his taxes for health.

Nationalized medicine was initiated in Sweden even though seventy per cent of the Swedish population was already covered by private insurance programs. In the name of equality, these seventy per cent were forced into a compulsory government-administered program in order to provide for the remaining thirty per cent

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of the population not privately insured.

Today there is hardly a single hospital in Sweden where there are not long waiting lists for all kinds of hospital care. It is estimated that in Stockholm alone there are more than four thousand persons waiting to enter hospitals, one thousand for operations. In some cases, waiting periods for minor operations may be more than half a year. Dr. Dag Knutsson, head of Sweden's medical association, estimated in the first years of the medical plan that half of the patients in Sweden's hospitals "need not be there."

Mr. Edwards challenges the myth that there is a doctor shortage. In the United States today there are 318,000 medical doctors. With a national population of roughly two hundred million, that is an average of one doctor for every six hundred and forty persons. No other major nation in the world enjoys anything close to that ratio.

Of these doctors, 169,656 are engaged in full time private practice. The remainder are engaged as follows: 28,105 in government service, 17,725 in full time hospital staffs, 10,452 in full time medical faculties, 33,247 in resident training, 9,102 in internship, 4,919 in preventive medicine, and 2,653 in administrative medicine. The remainder are retired or in some type of work other than the practice of medicine.

"The problem," Mr. Edwards declares, "is not that there are not enough graduating doctors, but that too few are in direct patient care. In fact, it is government involvement in the field of medicine which is, in large measure, responsible for this situation."

Discussing the failures and huge cost overruns of Medicare and Medicaid, Mr. Edwards points out that the overwhelming majority of Americans are covered by private health insurance. As of the end of 1969, the Health Insurance Institute estimated 164 million persons under sixty-five – eighty-nine per cent of the total – had some form of private protection against medical costs. He noted that "If a national system were to become law, the government program would replace all of these private plans – at a much higher cost. Since eighty-nine per cent of the group in whose behalf such socialized medicine plans are being supported are already covered, the advocates of such plans have not met the burden of proving a 'need' for the program at all."

"The choice before us," writes Mr. Edwards, "is simple. You and I are now covered by private health plans and we are familiar

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with them; we know what they provide and what they cost, and we know the agent who services them. We know our doctors and most of us have confidence in them. . . . National Health Insurance will destroy private insurance. In return, its advocates promise to solve a fictional health crisis. . . . Government has made similar promises in the past: It has promised to solve the problems of agriculture, of housing, of welfare. Instead, government intervention has compounded the problems. Do you and I want to spend from twelve to eighty billion a year to replace private medical care with government medical programs that have failed wherever they have been tried?"

Marvin Edwards has made a powerful case. Hopefully, it will provide a new and important dimension to the, thus far, one-sided public discussion of this truly life and death question.

**CORRECTION:**

Dr. Sanborn's book, *What, How, For Whom,* reviewed in the August 1972 issue of THE FREEMAN, does not state specifically that the author favors conscription. The author leaves the question open for the student to decide.

GARY NORTH

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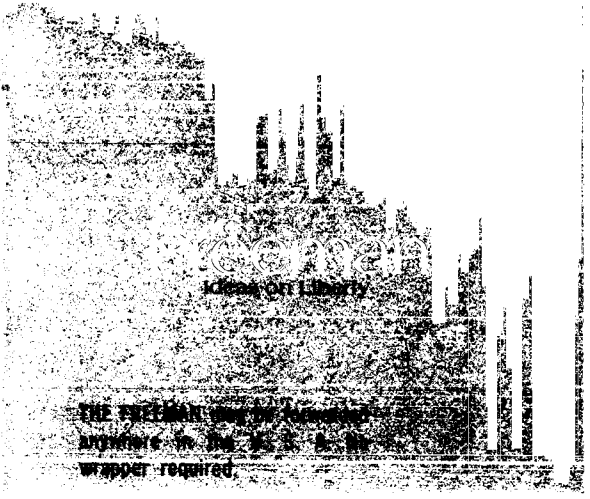

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